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Betsey Bayless
Secretary of State

CHAPTER 1

SENATE BILL 1004

AN ACT

REPEALING LAWS 2000, CHAPTER 405, SECTION 5; AMENDING SECTIONS 15-945, 28-2003, 28-2416, 28-5805 AND 30-814, ARIZONA REVISED STATUTES; AMENDING TITLE 41, CHAPTER 3.1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 41-622.02; AMENDING SECTION 41-1516, ARIZONA REVISED STATUTES; AMENDING SECTION 42-5029, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2000, SECOND REGULAR SESSION, CHAPTER 193, SECTION 493 AND LAWS 2000, FIFTH SPECIAL SESSION, CHAPTER 1, SECTION 38; REPEALING SECTION 42-5029, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2000, CHAPTER 372, SECTION 5; AMENDING TITLE 42, CHAPTER 5, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 42-5032.02; AMENDING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2000, CHAPTER 63, SECTION 5, CHAPTER 401, SECTION 1 AND CHAPTER 405, SECTION 23; REPEALING SECTION 42-5061, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2000, CHAPTER 372, SECTION 7; AMENDING SECTIONS 42-5159, 42-6004, 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01, 43-1174.02, 49-542 AND 49-543, ARIZONA REVISED STATUTES; AMENDING TITLE 49, CHAPTER 3, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 49-542.05; PROVIDING FOR THE DELAYED REPEAL OF SECTIONS 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 AND 43-1174.02, ARIZONA REVISED STATUTES; AMENDING LAWS 2000, CHAPTER 405, SECTION 43; AMENDING LAWS 2000, CHAPTER 1, SECTION 3; AMENDING LAWS 2000, CHAPTER 1, SECTION 4; BLENDING MULTIPLE ENACTMENTS; MAKING AN APPROPRIATION; RELATING TO ALTERNATIVE FUELS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

Be it enacted by the Legislature of the State of Arizona:

Section. 1. Repeal

Laws 2000, chapter 405, section 5 is repealed.

Sec. 2. Section 15-945, Arizona Revised Statutes, is amended to read:

15-945. Transportation support level

A. The support level for to and from school for each school district for the current year shall be computed as follows:

1. Determine the approved daily route mileage of the school district for the fiscal year prior to the current year.

2. Multiply the figure obtained in paragraph 1 of this subsection by one hundred seventy-five.

3. Determine the number of eligible students transported in the fiscal year prior to the current year.

4. Divide the amount determined in paragraph 1 of this subsection by the amount determined in paragraph 3 of this subsection to determine the approved daily route mileage per eligible student transported.

5. Determine the classification in column 1 of this paragraph for the quotient determined in paragraph 4 of this subsection. Multiply the product obtained in paragraph 2 of this subsection by the corresponding state support level for each route mile as provided in column 2 of this paragraph.

<u>Column 1</u>	<u>Column 2</u>
Approved Daily Route Mileage per Eligible <u>Student Transported</u>	State Support Level per Route Mile for <u>Fiscal Year 1984-1985</u>
0.5 or less	\$1.55
More than 0.5 through 1.0	\$1.25
More than 1.0	\$1.55

6. Add the amount spent during the prior fiscal year for bus tokens and bus passes for students who qualify as eligible students as defined in section 15-901.

B. The support level for academic and vocational and technological education and athletic trips for each school district for the current year is computed as follows:

1. Determine the classification in column 1 of paragraph 2 of this subsection for the quotient determined in subsection A, paragraph 4 of this section.

2. Multiply the product obtained in subsection A, paragraph 5 of this section by the corresponding state support level for academic and vocational and technological education and athletic trips as provided in column 2, 3 or 4 of this paragraph, whichever is appropriate for the type of district.

<u>Column 1</u>	<u>Column 2</u>	<u>Column 3</u>	<u>Column 4</u>
Approved Daily Route	District Type	District Type	District Type
Mileage per Eligible	<u>02 or 03</u>	<u>04</u>	<u>05</u>
<u>Student Transported</u>			
0.5 or less	0.15	0.10	0.25
More than 0.5 through 1.0	0.15	0.10	0.25
More than 1.0	0.18	0.12	0.30

For the purposes of this paragraph, "district type 02" means a unified school district or an accommodation school that offers instruction in grades nine through twelve, "district type 03" means a common school district not within a high school district, "district type 04" means a common school district within a high school district or an accommodation school that does not offer instruction in grades nine through twelve and "district type 05" means a high school district.

C. The support level for extended school year programs for pupils with disabilities is computed as follows:

1. Determine the sum of the following:

(a) The total number of miles driven by all buses of a school district while transporting eligible pupils with disabilities on scheduled routes from their residence to the school of attendance and from the school of attendance to their residence on routes for an extended school year program in accordance with section 15-881.

(b) The total number of miles driven on routes approved by the superintendent of public instruction for which a private party, a political subdivision or a common or a contract carrier is reimbursed for bringing an eligible pupil with a disability from the place of the pupil's residence to a school transportation pickup point or to the school facility of attendance and from the school transportation scheduled return point or from the school facility to the pupil's residence for an extended school year program in accordance with section 15-881.

2. Multiply the sum determined in paragraph 1 of this subsection by the state support level for the district determined as provided in subsection A, paragraph 5 of this section.

D. The transportation support level for each school district for the current year is the sum of the support level for to and from school as determined in subsection A of this section and the support level for academic and vocational and technological education and athletic trips as determined in subsection B of this section and the support level for extended school year programs for pupils with disabilities as determined in subsection C of this section.

~~E. The transportation support level for each school district located in area A as defined in section 49-541 as determined in subsection D of this section shall be adjusted as follows:~~

1 ~~1. Multiply the approved daily route mileage for each eligible student~~
2 ~~transported in pupil transportation vehicles that use alternative fuel as~~
3 ~~defined in section 1-215 by 1.1.~~

4 ~~2. Multiply the approved daily route mileage for each eligible student~~
5 ~~transported in pupil transportation vehicles that do not use alternative fuel~~
6 ~~as defined in section 1-215 by 0.9888.~~

7 ~~F.~~ E. The state support level for each approved route mile, as
8 provided in subsection A, paragraph 5 of this section, shall be adjusted by
9 the growth rate prescribed by law, subject to appropriation.

10 Sec. 3. Section 28-2003, Arizona Revised Statutes, is amended to read:

11 28-2003. Fees; vehicle title and registration; identification
12 plate; definition

13 A. The following fees are required:

14 1. For each certificate of title, salvage certificate of title,
15 restored salvage certificate of title or nonrepairable vehicle certificate
16 of title, four dollars.

17 2. For each certificate of title for a mobile home, seven
18 dollars. The director shall deposit three dollars of each fee imposed by
19 this paragraph in the state highway fund established by section 28-6991.

20 3. For the registration of a motor vehicle, eight dollars, except that
21 the fee for:

22 (a) motorcycles is nine dollars.

23 (b) ~~Motor vehicles that have a gross vehicle weight of twelve thousand~~
24 ~~pounds or less, that are powered by alternative fuel and that qualify for the~~
25 ~~vehicle license tax rate prescribed in section 28-5805:~~

26 (i) ~~On initial registration, is a one-time fee of twenty dollars.~~

27 (ii) ~~On renewal of registration, is a one-time fee of five dollars.~~

28 4. For a duplicate registration card or any duplicate permit, four
29 dollars.

30 5. For each special thirty day nonresident registration issued under
31 section 28-2154, fifteen dollars.

32 6. Except as provided in paragraph 7 of this subsection, for the
33 registration of a trailer or semitrailer that is ten thousand pounds or less
34 gross vehicle weight, eight dollars, and for the registration of a trailer
35 or semitrailer that exceeds ten thousand pounds gross vehicle weight,
36 forty-nine dollars.

37 7. For the registration of a noncommercial trailer that is not a
38 travel trailer and that is less than six thousand pounds gross vehicle
39 weight:

40 (a) On initial registration, a one-time fee of twenty dollars.

41 (b) On renewal of registration, a one-time fee of five dollars.

42 8. For a transfer of a noncommercial trailer that is not a travel
43 trailer and that is less than six thousand pounds gross vehicle weight,
44 twelve dollars.

1 9. For each special ninety day resident registration issued under
2 section 28-2154, fifteen dollars.

3 10. For each one trip registration permit issued under section 28-2155,
4 one dollar.

5 11. For each temporary general use registration issued under section
6 28-2156, fifteen dollars.

7 12. For each identification plate bearing a serial or identification
8 number to be affixed to any vehicle, five dollars.

9 ~~B. If any other fees prescribed by this chapter are applicable to a~~
10 ~~motor vehicle registered pursuant to subsection A, paragraph 3, subdivision~~
11 ~~(b) of this section, the amount of those fees shall be doubled and that~~
12 ~~amount shall be the one-time fee due for the prescribed purpose.~~

13 C. B. For the purposes of this section, "travel trailer" means a
14 trailer that is:

15 1. Mounted on wheels.

16 2. Designed to provide temporary living quarters for recreational,
17 camping or travel use.

18 3. Less than eight feet in width and less than forty feet in length.

19 Sec. 4. Section 28-2416, Arizona Revised Statutes, is amended to read:

20 28-2416. Alternative fuel vehicle special plates; stickers; use
21 of high occupancy vehicle lanes; definition

22 A. Beginning on April 1, 1997, a person who owns a motor vehicle that
23 has either been converted or manufactured to use an alternative fuel and the
24 alternative fuel was subject to the use fuel tax imposed pursuant to chapter
25 16, article 2 of this title before April 1, 1997 shall apply for alternative
26 fuel vehicle special plates pursuant to this section.

27 B. The department shall issue alternative fuel vehicle special plates,
28 or an alternative fuel vehicle sticker as provided in subsection D of this
29 section, to a person who satisfies both ALL of the following:

30 1. Owns a motor vehicle that is powered by an alternative fuel and
31 ~~that is registered pursuant to section 28-5805.~~

32 2. PROVIDES PROOF AS FOLLOWS:

33 (a) FOR AN ORIGINAL EQUIPMENT MANUFACTURED ALTERNATIVE FUEL VEHICLE,
34 THE DEALER WHO SELLS THE MOTOR VEHICLE SHALL PROVIDE TO THE DEPARTMENT OF
35 TRANSPORTATION AND THE OWNER OF THE MOTOR VEHICLE A CERTIFICATE INDICATING:

36 (i) THAT THE MOTOR VEHICLE IS POWERED BY AN ALTERNATIVE FUEL.

37 (ii) THE EMISSION CLASSIFICATION OF THE MOTOR VEHICLE AS LOW,
38 INHERENTLY LOW, ULTRALOW OR ZERO.

39 (b) FOR A CONVERTED MOTOR VEHICLE OR A MOTOR VEHICLE THAT IS ASSEMBLED
40 BY THE OWNER, THE DEPARTMENT OF ENVIRONMENTAL QUALITY OR AN AGENT OF THE
41 DEPARTMENT OF ENVIRONMENTAL QUALITY SHALL PROVIDE A CERTIFICATE TO THE
42 DEPARTMENT OF TRANSPORTATION AND THE OWNER OF THE MOTOR VEHICLE INDICATING
43 THAT THE MOTOR VEHICLE IS POWERED BY AN ALTERNATIVE FUEL.

44 ~~2.~~ 3. Pays an eight dollar special plate administrative fee, except
45 that vehicles that are registered pursuant to section 28-2511 are exempt from

1 that fee. The department shall deposit, pursuant to sections 35-146 and
2 35-147, all special plate administrative fees in the state highway fund
3 established by section 28-6991.

4 C. The color and design of the alternative fuel vehicle special plates
5 are subject to the approval of the department of commerce energy office. The
6 director may allow a request for alternative fuel vehicle special plates to
7 be combined with a request for personalized special plates. If the director
8 allows such a combination, the request shall be in a form prescribed by the
9 director and is subject to the fees for the personalized special plates in
10 addition to the fees required for alternative fuel vehicle special plates.
11 Alternative fuel vehicle special plates are not transferable, except that if
12 the director allows alternative fuel vehicle special plates to be
13 personalized a person who is issued personalized alternative fuel vehicle
14 special plates may transfer those plates to another alternative fuel vehicle
15 for which the person is the registered owner or lessee.

16 D. If a motor vehicle qualifies pursuant to this section and any other
17 special plates are issued pursuant to article 7, 8 or 13 of this chapter or
18 section 28-2514 for the motor vehicle, the department may issue an
19 alternative fuel vehicle sticker to the person who owns the motor vehicle.
20 The sticker shall be diamond-shaped, shall indicate the type of alternative
21 fuel used by the vehicle and shall be placed on the motor vehicle as
22 prescribed by the department.

23 E. A person may drive a motor vehicle with alternative fuel vehicle
24 special plates or an alternative fuel vehicle sticker in high occupancy
25 vehicle lanes at any time, regardless of occupancy level, without penalty.

26 F. A person shall not drive a motor vehicle in a high occupancy
27 vehicle lane with an alternative fuel vehicle sticker if the motor vehicle
28 is not an alternative fuel vehicle. A person who violates this subsection
29 is subject to a civil penalty of three hundred fifty dollars. Notwithstanding
30 section 28-1554, the civil penalty collected pursuant to this subsection
31 shall be deposited in the Arizona clean air fund established by section
32 41-1516 to provide grants to a regional planning agency in a county with a
33 population of more than one million two hundred thousand persons for
34 conversion of diesel fleets in the county to use alternative fuels or for
35 acquisition of alternative fuel vehicles to replace diesel fleets in the
36 county.

37 G. The department shall mark high occupancy vehicle lane signs to
38 indicate that those lanes may be used by alternative fuel vehicles regardless
39 of the number of occupants. The design of the sign shall be the same as the
40 design of the alternative fuel vehicle special plate, and the sign shall be
41 at least as large as the high occupancy vehicle lane sign. These high
42 occupancy vehicle lane signs are official traffic control devices. On
43 highway exit signs the department shall also indicate access to alternative
44 fuel vehicle fueling stations that are open to the public.

1 H. The costs of the high occupancy vehicle lane sign markings required
2 by this section shall be paid from the monies in the Arizona clean air fund
3 established by section 41-1516.

4 I. If the department publishes maps of the state highway system that
5 are distributed to the general public, the department shall indicate on those
6 maps the approximate location of alternative fuel delivery facilities that
7 are open to the public.

8 J. For the purposes of this section, "alternative fuel" has the same
9 meaning prescribed in section 1-215.

10 Sec. 5. Section 28-5805, Arizona Revised Statutes, is amended to read:

11 28-5805. Motor vehicle powered by alternative fuel;
12 classification; vehicle license tax; definitions

13 A. A separate classification of motor vehicles is established for
14 purposes of taxation pursuant to article IX, section 11, Constitution of
15 Arizona, that consists of motor vehicles THAT ARE powered by alternative fuel
16 AND FOR WHICH THE DEPARTMENT ISSUES AN ALTERNATIVE FUEL VEHICLE SPECIAL PLATE
17 OR STICKER PURSUANT TO SECTION 28-2416.

18 ~~B. Notwithstanding section 28-5801, the vehicle license tax rate for~~
19 ~~a motor vehicle that has a gross vehicle weight of twelve thousand pounds or~~
20 ~~less and that is classified under this section is as follows:~~

21 ~~1. On initial registration, a one-time vehicle license tax of fifty~~
22 ~~dollars.~~

23 ~~2. On renewal of registration, a one-time vehicle license tax of~~
24 ~~thirty-five dollars.~~

25 ~~C. B. Notwithstanding section 28-5801, the registering officer shall~~
26 ~~collect at the time of application for and before registration of the motor~~
27 ~~vehicle that has a gross vehicle weight of more than twelve thousand pounds~~
28 ~~and that is classified under this section an annual license tax of four~~
29 ~~dollars for each one hundred dollars in value. During the first twelve~~
30 ~~months of the life of the motor vehicle as determined by its initial~~
31 ~~registration, the value is one per cent of the manufacturer's base retail~~
32 ~~price of the motor vehicle. During each succeeding twelve month period the~~
33 ~~value of the motor vehicle is fifteen per cent less than the value of the~~
34 ~~preceding twelve month period.~~

35 C. The minimum amount of the license tax computed under this
36 subsection SECTION is five dollars per year for each motor vehicle subject
37 to the tax.

38 D. Except as specifically provided in this section, the vehicle
39 license tax on a motor vehicle classified under this section is governed by
40 this article.

41 ~~E. Proof of eligibility for the special license tax rate provided by~~
42 ~~this section shall be provided as follows:~~

43 ~~1. For an original equipment manufactured alternative fuel vehicle,~~
44 ~~the dealer who sells the motor vehicle shall provide to the department of~~
45 ~~transportation and the owner of the motor vehicle a certificate indicating:~~

1 ~~(a) That the motor vehicle is powered by an alternative fuel.~~
2 ~~(b) The emission classification of the motor vehicle as low,~~
3 ~~inherently low, ultralow or zero.~~
4 ~~2. For a converted motor vehicle or a motor vehicle that is assembled~~
5 ~~by the owner, the department of environmental quality or an agent of the~~
6 ~~department of environmental quality shall provide a certificate to the~~
7 ~~department of transportation and the owner of the motor vehicle indicating~~
8 ~~that the motor vehicle is powered by an alternative fuel.~~
9 ~~F. E. For purposes of this section:~~
10 1. "Alternative fuel" has the same meaning prescribed in section
11 1-215.
12 2. "Motor vehicle" means a vehicle that meets the safety standards of
13 the national highway traffic safety administration and includes neighborhood
14 electric vehicles that meet the standards prescribed in 49 Code of Federal
15 Regulations section 571.500, except that, if a vehicle is designed to be
16 operated at speeds of twenty miles per hour or less, the vehicle is not
17 required to have a seventeen digit vehicle identification number.
18 Sec. 6. Section 30-814, Arizona Revised Statutes, is amended to read:
19 30-814. Natural gas; vehicle refueling; monthly service fees;
20 prohibition
21 A public power entity shall not charge, demand, collect or receive a
22 monthly service fee that is in addition to the fees for natural gas provided
23 for the refueling of vehicles by a vehicle refueling apparatus as defined in
24 section 43-1086.01, subsection ~~F~~ J, paragraph 1.
25 Sec. 7. Title 41, chapter 3.1, article 1, Arizona Revised Statutes,
26 is amended by adding section 41-622.02, to read:
27 41-622.02. Consumer loss recovery fund
28 A. A CONSUMER LOSS RECOVERY FUND IS ESTABLISHED IN THE DEPARTMENT OF
29 ADMINISTRATION CONSISTING OF MONIES TRANSFERRED TO THE FUND FROM THE BUDGET
30 STABILIZATION FUND ESTABLISHED BY SECTION 35-144. MONIES IN THE FUND SHALL
31 PAY FOR CLAIMS, ADJUSTING COSTS, PROCESSING COSTS, LEGAL DEFENSE COSTS AND
32 ADMINISTRATIVE COSTS AS PROVIDED BY LAW.
33 B. THE DEPARTMENT OF ADMINISTRATION SHALL FILE A MONTHLY REPORT BY THE
34 TWENTY-FIFTH DAY OF THE NEXT MONTH WITH THE GOVERNOR, THE PRESIDENT OF THE
35 SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES. THE MONTHLY REPORT
36 SHALL INCLUDE, AT A MINIMUM, THE NUMBER OF CLAIMS SETTLED, THE DOLLAR COSTS
37 ASSOCIATED WITH CLAIMS AND THE OPERATING MONIES SPENT IN SUPPORT OF THE
38 PROGRAM.
39 C. ALL MONIES RECOVERED BY THE STATE PURSUANT TO LITIGATION OF FALSE
40 CLAIMS SHALL BE DEPOSITED IN THE STATE GENERAL FUND.
41 D. MONIES IN THE CONSUMER LOSS RECOVERY FUND ARE CONTINUOUSLY
42 APPROPRIATED AND ARE EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING
43 TO LAPSING OF APPROPRIATIONS.

1 Sec. 8. Section 41-1516, Arizona Revised Statutes, is amended to read:
2 41-1516. Arizona clean air fund; purposes; vehicle
3 certification program; definition

4 A. The Arizona clean air fund is established consisting of the
5 following:

6 1. Monies appropriated by the legislature.

7 2. Monies from the air quality fund pursuant to section 49-551,
8 subsection C, paragraph 2.

9 3. Any monies that are appropriated to state agencies for alternative
10 fuel vehicles or conversion of conventional vehicles to operate on
11 alternative fuels and that have not been spent by the state agency at the end
12 of each fiscal year.

13 4. Monies collected pursuant to section 49-543, subsection B, except
14 that beginning on January 1, 2001 until the contract entered into pursuant
15 to section 49-545 and in effect on April 28, 2000 expires, the department
16 shall deposit, pursuant to sections 35-146 and 35-147, sixteen dollars
17 eighty-one cents of the fee collected pursuant to section 49-543, subsection
18 B in area A as defined in section 49-541 and two dollars fifty-one cents of
19 the fee collected pursuant to section 43-543, subsection B in area B as
20 defined in section 49-541 in the emissions inspection fund established by
21 section 49-544 for the purpose of reducing the emissions inspection fees
22 prescribed pursuant to section 49-543, subsection A.

23 5. Monies from the state lottery fund pursuant to section 5-522,
24 subsection A, paragraph 4.

25 6. Monies deposited pursuant to sections 28-737, 28-876, 28-2416,
26 43-1086 and 43-1174.

27 7. Any other monies received through gifts, grants and donations.

28 B. The director shall administer the fund.

29 C. Except as provided in subsection 0 of this section, monies in the
30 fund may be used for any of the following:

31 1. To promote public use of alternative fuels by providing individual
32 grants for alternative fuel delivery systems that have had their equipment
33 certified by the department of commerce energy office as follows:

34 (a) A grant of not more than one hundred thousand dollars for each
35 variation of alternative fuel type dispensed through a newly constructed
36 alternative fuel delivery system or an alternative fuel delivery system that
37 is added to an existing facility if the alternative fuel delivery system is
38 accessible to the general public.

39 (b) In addition to the grant prescribed in subdivision (a) of this
40 paragraph, a grant for one hundred per cent of the cost of installing or
41 retrofitting automatic debit or credit card access to an alternative fuel
42 delivery system that is accessible to the general public.

43 (c) A grant of not more than fifty thousand dollars or the cost of the
44 alternative fuel delivery system, whichever is less, for each variation of
45 alternative fuel type dispensed through a newly constructed alternative fuel

1 delivery system or an alternative fuel delivery system that is added to an
2 existing facility if the alternative fuel delivery system is not accessible
3 to the general public.

4 (d) A grant of not more than fifty thousand dollars for retrofitting
5 a private alternative fuel delivery system to make it accessible to the
6 general public.

7 (e) A grant of not more than fifty thousand dollars for retrofitting
8 an alternative fuel delivery system owned by this state or a political
9 subdivision of this state to make it accessible to other governmental
10 entities.

11 2. Not more than one-half of the monies deposited in the fund shall
12 be used by the department to establish a program that would provide grants
13 to individuals, small businesses or nonprofit corporations for the purchase
14 and installation of an alternative fuel delivery system for use on the
15 individual's, small business' or nonprofit corporation's property in this
16 state. Grants awarded pursuant to this paragraph shall not be more than the
17 cost of the alternative fuel delivery system. The cost of the alternative
18 fuel delivery system does not include the cost of wall sockets or extension
19 cords. The department of commerce shall promptly notify the department of
20 revenue of individuals and small businesses that have received a grant
21 pursuant to this paragraph and the amount of the grant. For the purposes of
22 this paragraph, "small business" has the same meaning prescribed in section
23 41-1001.

24 3. Grants to school districts to pay a portion of the cost incurred
25 for the alternative fuels program prescribed in section 15-349.

26 4. Grants to community college districts to pay a portion of the cost
27 incurred for the alternative fuels program prescribed in section 41-803.

28 5. Grants to cities and towns to pay a portion of the cost incurred
29 for the alternative fuels vehicle program and for the incremental cost of
30 alternative fuel buses pursuant to section 9-500.04.

31 6. Grants to counties to pay a portion of the cost incurred for the
32 alternative fuels program prescribed in section 49-474.01.

33 7. Grants to nonprofit corporations to pay a portion of the cost
34 incurred by nonprofit corporations in acquiring alternative fuel vehicles.

35 8. Grants to provide service to fleets that have been converted for
36 use of alternative fuel within the previous five years so that the vehicles
37 in the fleets may function on alternative fuel.

38 9. To pay the costs of high occupancy vehicle lane sign markings
39 required by section 28-2416 and the costs of providing the information
40 prescribed in section 28-5801, subsection A, paragraph 2.

41 10. Administrative costs incurred by the department in administering
42 the programs prescribed in this subsection.

43 11. To conduct public awareness programs for alternative fuels.

44 12. To provide for training for persons involved in alternative fuel
45 activities with automobiles.

1 13. To allocate resources to reduce the cost of converting or acquiring
2 alternative fuel vehicles and equipment as prescribed by sections 43-1086,
3 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 and 43-1174.02.

4 14. To allocate resources to reduce the cost of an alternative fuel as
5 prescribed by sections 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01
6 and 43-1174.02.

7 D. Except as provided in subsections E and O of this section, the
8 department shall use fifty per cent of the monies deposited in the fund in
9 fiscal years 2000-2001 through 2009-2010 to provide grants to persons for
10 purchasing alternative fuel vehicles, converting conventionally fueled
11 vehicles to operate on an alternative fuel or retrofitting alternative fuel
12 vehicles, except that:

13 1. Beginning on July 1, 2002, if twelve months after deposit of the
14 monies applications for grants pursuant to this subsection have not been
15 submitted in a total amount equal to the prescribed percentage of the monies
16 deposited, the department shall use the difference between the prescribed
17 percentage of the monies deposited and the total amount of grant applications
18 to provide grants to a regional planning agency in a county with a population
19 of more than one million two hundred thousand persons for conversion of
20 diesel fleets in the county to use alternative fuels or for acquisition of
21 alternative fuel vehicles to replace diesel fleets in the county.

22 2. Any monies that are provided to a regional planning agency pursuant
23 to paragraph 1 of this subsection and that are not spent within six months
24 revert to the fund to be used for grants as provided in this subsection.

25 E. The time periods prescribed in subsection D of this section are
26 rolling time periods and begin whenever monies are deposited in the fund.
27 Neighborhood electric vehicles as defined in section 43-1086 are not eligible
28 for grants pursuant to subsection D of this section. A grant provided
29 pursuant to subsection D of this section for the purchase of an alternative
30 fuel vehicle or the conversion of a conventionally fueled vehicle to operate
31 on alternative fuel shall be in an amount that is equal to the amount of the
32 tax credit prescribed in section 43-1086, subsection B or 43-1174, subsection
33 B. The department of commerce shall promptly notify the department of
34 revenue of persons who have received a grant pursuant to subsection D of this
35 section and the amount of the grant. If monies are not available for grants
36 to persons pursuant to subsection D of this section, the department of
37 commerce shall provide the eligible person with an affidavit stating that
38 monies are not available in the fund for grants, that the person would
39 qualify for a grant if monies were available in the fund and that the person
40 is eligible for a tax credit pursuant to section 43-1086 or 43-1174. The
41 department of commerce shall not provide grants pursuant to subsection D of
42 this section in a calendar year after the month in which the motor vehicle
43 division reports to the department as provided in section 43-1086 that the
44 number of new alternative fuel vehicles, excluding neighborhood electric
45 vehicles, vehicles registered pursuant to section 28-2511 and commercial

1 vehicles, newly registered in this state in the current calendar year exceeds
 2 one per cent of the total number of motor vehicles registered in this state
 3 in the previous calendar year. If grants are not provided in a calendar year
 4 based on a motor vehicle division report pursuant to section 43-1086, the
 5 restriction only applies to the remainder of that calendar year. If a person
 6 who applies for a grant pursuant to subsection D of this section submits a
 7 purchase order and proof of at least a ten per cent down payment on an
 8 alternative fuel vehicle, conversion or retrofit or a bill of sale for an
 9 alternative fuel vehicle, conversion or retrofit at the time of application,
 10 the department shall secure monies for a grant for that person until the
 11 person completes the transaction and the department shall not use those
 12 monies to provide grants to a regional planning agency pursuant to subsection
 13 D, paragraph 1 of this section if the transaction is completed within one
 14 year. In order to qualify for a grant pursuant to subsection D of this
 15 section or a tax credit pursuant to section 43-1086 or 43-1174, a person
 16 shall apply for a grant pursuant to subsection D of this section no later
 17 than one year after the person purchases, converts or retrofits an
 18 alternative fuel vehicle.

19 F. The department shall use monies in the fund for a grant to pay for
 20 the cost of an alternative fuel delivery system at northern Arizona
 21 university that is accessible to the general public. The amount of this
 22 grant shall not be more than three hundred thousand dollars. Alternative fuel
 23 sold from that alternative fuel delivery system shall not be marked up more
 24 than fifteen per cent.

25 G. The department shall use monies in the fund for grants to pay costs
 26 incurred for successful certification tests that are necessary to meet the
 27 requirements of memorandum 1-A issued by the United States environmental
 28 protection agency, that are performed in this state and the results of which
 29 are filed with the department of commerce energy office, except that fees
 30 required by the United States environmental protection agency are not
 31 eligible for grants pursuant to this subsection. Costs that are eligible for
 32 grants pursuant to this subsection include the following:

- 33 1. Procurement and operating costs for a single platform, including
 34 expenses for testing a vehicle up to its degradation mileage limit.
- 35 2. The cost of conversion equipment and installation for the single
 36 engine platform.
- 37 3. Expenses directly related to the process of obtaining certification,
 38 including:
 - 39 (a) Personnel time.
 - 40 (b) Additional materials.
 - 41 (c) Specialized equipment rentals or leases.
 - 42 (d) Operating costs and payments on purchased specialized emissions
 43 equipment during the time it is required for the certification process.
 - 44 (e) The cost of installation for specialized emissions testing
 45 equipment.

1 (f) Ongoing maintenance, upgrading and repair costs for specialized
2 emissions testing equipment during the time it is used for certification
3 testing.

4 (g) The costs involved in obtaining technical information or access
5 charges for information used for the certification process.

6 (h) Independent emissions laboratory fees required for validating
7 certification criteria.

8 (i) Facility expenses that are prorated to the equivalent area of the
9 required size of one bay large enough to house the platform and the necessary
10 related equipment to perform the certification research and development and
11 validation testing.

12 H. The department shall use monies in the fund to pay for one-half of
13 the hydrogen program grants awarded pursuant to section 41-1515 in fiscal
14 year 2000-2001 and fiscal year 2001-2002. Notwithstanding section 41-1515,
15 an applicant for a grant of monies provided pursuant to this subsection shall
16 provide funding in an amount that at least equals the grant award and if
17 monies provided pursuant to this subsection are not used within five years
18 the monies revert to the Arizona clean air fund.

19 I. No later than January 1, 2007, the department shall use monies in
20 the fund to provide grants for at least sixteen natural gas delivery systems.
21 These grants shall be provided to private entities to install and operate
22 natural gas delivery systems that are accessible to the general public at the
23 private entities' existing motor vehicle fueling stations. These grants
24 shall be provided for at least eight natural gas delivery systems in area A
25 as defined in section 49-541, at least three natural gas delivery systems in
26 area B as defined in section 49-541, one natural gas delivery system in
27 Kingman, one natural gas delivery system in Yuma, one natural gas delivery
28 system in Casa Grande, one natural gas delivery system in Show Low and one
29 natural gas delivery system in Payson. A recipient of a grant pursuant to
30 this subsection shall not charge for natural gas provided from a delivery
31 system installed and operated under the grant more than the following amounts
32 over the recipient's cost of the natural gas:

33 1. Fifteen cents per gallon to cover the cost of compression, including
34 electricity, maintenance and wear and tear.

35 2. An additional fifteen cents per gallon as profit.

36 J. If a grant is awarded pursuant to this section for an alternative
37 fuel delivery system located at a fueling station, the price of the
38 alternative fuel sold from the alternative fuel delivery system shall be
39 included on the standardized sign that contains the price of other fuels sold
40 at the fueling station. The department of commerce energy office shall
41 design these signs, including the alternative fuel logo for these signs.
42 Notwithstanding any other law and because the legislature finds it a matter
43 of statewide concern, these signs shall be uniform throughout the state and
44 local ordinances, rules or laws are preempted for design, placement, size,
45 type and height.

1 K. The department may provide certification of alternative fuel
2 vehicles and equipment converted or purchased in previous tax years if the
3 taxpayer provides appropriate documentation to the department and if the
4 department deems the documentation and certification acceptable.

5 L. Except as provided in sections 43-1086 and 43-1174, tax credits for
6 alternative fuel vehicles authorized pursuant to state law shall only be
7 allowed if the vehicle meets one of the following:

8 1. The vehicle engine is certified to meet at a minimum the United
9 States environmental protection agency low emission vehicle standard pursuant
10 to 40 Code of Federal Regulations section 88.104-94 or 88.105-94.

11 2. The vehicle engine meets the requirements of the addendum to
12 memorandum 1-A, issued by the United States environmental protection agency,
13 as printed in the federal register, volume 62, number 207, October 27, 1997,
14 pages 55635 through 55637.

15 3. The vehicle engine is the subject of a waiver for that specific
16 engine application from the United States environmental protection agency's
17 memorandum 1-A requirements and that waiver is documented to the reasonable
18 satisfaction of the department.

19 M. The director shall report annually to the legislature on the status
20 of the Arizona clean air fund including a report on expenditures from the
21 fund pursuant to this section. The report shall include a summary of
22 alternative fuel delivery systems for which funding was provided during the
23 preceding fiscal year. The report shall be submitted to the president of the
24 senate and the speaker of the house of representatives no later than
25 September 1 of each year.

26 N. Monies in the Arizona clean air fund are exempt from the provisions
27 of section 35-190 relating to lapsing of appropriations. On notice from the
28 department of commerce, the state treasurer shall invest and divest monies
29 in the fund as provided by section 35-313, and monies earned from investment
30 shall be credited to the fund.

31 O. EXCEPT AS PROVIDED IN SUBSECTIONS P AND Q OF THIS SECTION, the
32 department shall not provide grants or affidavits to any person who enters
33 into a contract or signs a purchase order for any of the following beginning
34 on October 20, 2000 through October 19, 2001:

35 1. The purchase of an alternative fuel vehicle as defined in section
36 43-1086.

37 2. The conversion of a conventionally fueled vehicle to operate on an
38 alternative fuel.

39 3. The retrofitting of an alternative fuel vehicle.

40 4. The purchase and installation of an alternative fuel delivery
41 system for use on an individual's, small business' or nonprofit corporation's
42 property in this state pursuant to subsection C, paragraph 2 of this section.

43 5. Alternative fuel delivery system construction or modification
44 pursuant to subsection C, paragraph 1 of this section.

1 P. FROM AND AFTER THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION
2 AND UNTIL OCTOBER 1, 2001, THE DEPARTMENT SHALL AWARD GRANTS FOR THE
3 REPLACEMENT OR CONVERSION OF DIESEL VEHICLES OVER NINETEEN THOUSAND FIVE
4 HUNDRED POUNDS GROSS VEHICLE WEIGHT RATING TO OPERATE ON ALTERNATIVE FUEL IN
5 AN AMOUNT EQUAL TO THE GREATER OF THE FOLLOWING:

- 6 1. THIRTY PER CENT OF THE ORIGINAL MANUFACTURER'S BASE RETAIL PRICE.
- 7 2. THIRTY THOUSAND DOLLARS.

8 Q. THE AGGREGATE TOTAL OF GRANTS AWARDED PURSUANT TO SUBSECTION P OF
9 THIS SECTION SHALL NOT EXCEED SIX MILLION FIVE HUNDRED THOUSAND DOLLARS. THE
10 DEPARTMENT SHALL AWARD GRANTS IN ORDER OF RECEIPT OF APPLICATION IF THE
11 APPLICANT MEETS THE ELIGIBILITY REQUIREMENTS PRESCRIBED IN THIS SECTION.

12 ~~P.~~ R. No later than November 13, 2000, each person who sells
13 alternative fuel vehicles in this state, who converts conventionally fueled
14 vehicles to operate on an alternative fuel in this state, who sells or
15 installs alternative fuel delivery systems for use on an individual's, small
16 business' or nonprofit corporation's property in this state or who constructs
17 or modifies alternative fuel delivery systems in this state shall provide
18 information to the department of commerce, in a form determined by the
19 department of commerce in consultation with the department of revenue, that
20 is necessary to administer this program and to determine the full extent to
21 which individuals and businesses are potentially eligible for grants pursuant
22 to this section. The information shall include all persons who entered into
23 contracts or signed purchase orders on or after January 1, 2000 through
24 October 19, 2000 but shall not include any cancellations that occur before
25 November 13, 2000. The department of commerce shall send a notice to each
26 person known to the department to be required to provide information pursuant
27 to this subsection. The department of commerce and the department of revenue
28 shall keep confidential any social security numbers, other assigned taxpayer
29 identification numbers or telephone numbers provided in the information
30 required pursuant to this section. For the purposes of this subsection, the
31 department of commerce is exempt from the rule making requirements of chapter
32 6 of this title.

33 ~~Q.~~ S. For the purposes of this section, "alternative fuel delivery
34 system" means any facility that provides for the fueling of an alternative
35 fuel vehicle.

36 Sec. 9. Section 42-5029, Arizona Revised Statutes, as amended by Laws
37 2000, second regular session, chapter 193, section 493 and Laws 2000, fifth
38 special session, chapter 1, section 38, is amended to read:

39 42-5029. Remission and distribution of monies

40 A. The department shall deposit, pursuant to sections 35-146 and
41 35-147, all revenues collected under this article and articles 4, 5, 8 and
42 9 of this chapter pursuant to section 42-1116, separately accounting for:

- 43 1. Payments of estimated tax under section 42-5014, subsection D.
- 44 2. Revenues collected pursuant to section 42-5070.

1 3. Revenues collected under this article and article 5 of this chapter
2 from and after June 30, 2000 from sources located on Indian reservations in
3 this state.

4 4. Revenues collected pursuant to section 42-5010, subsection G and
5 section 42-5155, subsection D.

6 B. The department shall credit payments of estimated tax to an
7 estimated tax clearing account and each month shall transfer all monies in
8 the estimated tax clearing account to a fund designated as the transaction
9 privilege and severance tax clearing account. The department shall credit
10 all other payments to the transaction privilege and severance tax clearing
11 account, separately accounting for the monies designated as distribution base
12 under sections 42-5010, 42-5164, 42-5205, 42-5353 and 42-5409. Each month
13 the department shall report to the state treasurer the amount of monies
14 collected pursuant to this article and articles 4, 5, 8 and 9 of this
15 chapter.

16 C. On notification by the department, the state treasurer shall
17 distribute the monies deposited in the transaction privilege and severance
18 tax clearing account in the manner prescribed by this section and by sections
19 42-5164, 42-5205, 42-5353 and 42-5409, after deducting warrants drawn against
20 the account pursuant to sections 42-1118 and 42-1254.

21 D. Of the monies designated as distribution base the department shall:

22 1. Pay twenty-five per cent to the various incorporated municipalities
23 in this state in proportion to their population as shown by the last United
24 States decennial or special census, or revisions to the decennial or special
25 census certified by the United States bureau of the census, to be used by the
26 municipalities for any municipal purpose.

27 2. Pay 38.08 per cent to the counties in this state by averaging the
28 following proportions:

29 (a) The proportion that the population of each county bears to the
30 total state population, as shown by the most recent United States decennial
31 or special census, or revisions to the decennial or special census certified
32 by the United States bureau of the census.

33 (b) The proportion that the distribution base monies collected during
34 the calendar month in each county under this article, section 42-5164,
35 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
36 bear to the total distribution base monies collected under this article,
37 section 42-5164, subsection B, section 42-5205, subsection B and sections
38 42-5353 and 42-5409 throughout the state for the calendar month.

39 3. Pay an additional 2.43 per cent to the counties in this state as
40 follows:

41 (a) Average the following proportions:

42 (i) The proportion that the assessed valuation used to determine
43 secondary property taxes of each county, after deducting that part of the
44 assessed valuation that is exempt from taxation at the beginning of the month
45 for which the amount is to be paid, bears to the total assessed valuations

1 used to determine secondary property taxes of all the counties after
2 deducting that portion of the assessed valuations that is exempt from
3 taxation at the beginning of the month for which the amount is to be paid.
4 Property of a city or town that is not within or contiguous to the municipal
5 corporate boundaries and from which water is or may be withdrawn or diverted
6 and transported for use on other property is considered to be taxable
7 property in the county for purposes of determining assessed valuation in the
8 county under this item.

9 (ii) The proportion that the distribution base monies collected during
10 the calendar month in each county under this article, section 42-5164,
11 subsection B, section 42-5205, subsection B and sections 42-5353 and 42-5409
12 bear to the total distribution base monies collected under this article,
13 section 42-5164, subsection B, section 42-5205, subsection B and sections
14 42-5353 and 42-5409 throughout the state for the calendar month.

15 (b) If the proportion computed under subdivision (a) of this paragraph
16 for any county is greater than the proportion computed under paragraph 2 of
17 this subsection, the department shall compute the difference between the
18 amount distributed to that county under paragraph 2 of this subsection and
19 the amount that would have been distributed under paragraph 2 of this
20 subsection using the proportion computed under subdivision (a) of this
21 paragraph and shall pay that difference to the county from the amount
22 available for distribution under this paragraph. Any monies remaining after
23 all payments under this subdivision shall be distributed among the counties
24 according to the proportions computed under paragraph 2 of this subsection.

25 4. After any distributions required by sections 42-5030, 42-5030.01,
26 42-5031, and 42-5032, 42-5032.01 AND 42-5032.02, and after making any
27 transfer to the water quality assurance revolving fund as required by section
28 49-282, subsection B, credit the remainder of the monies designated as
29 distribution base to the state general fund. From this amount the
30 legislature shall annually appropriate to:

31 (a) The department of revenue sufficient monies to administer and
32 enforce this article and articles 5, 8 and 9 of this chapter.

33 (b) The department of economic security monies to be used for the
34 purposes stated in title 46, chapter 1.

35 (c) The tourism fund, THROUGH JUNE 30, 2001, an amount equal to the
36 sum of the following:

37 (i) Two million dollars.

38 (ii) Seventy-five per cent of the amount by which revenues derived
39 from a one-half percentage rate portion of the total tax rate imposed on the
40 transient lodging classification for the current fiscal year exceed the
41 revenues derived from a one-half percentage rate portion of that tax in the
42 previous fiscal year.

43 (d) The Arizona arts endowment fund established by section 41-986, the
44 full amount by which revenues derived from the amusement classification
45 pursuant to section 42-5073 for the current fiscal year exceed the revenues

1 that were derived from that classification in fiscal year 1993-1994, except
2 that this amount shall not exceed two million dollars in any fiscal
3 year. This subdivision applies for fiscal years through June 30, 2007.

4 (e) The firearms safety and ranges fund established by section 17-273,
5 fifty thousand dollars derived from the taxes collected from the retail
6 classification pursuant to section 42-5061 for the current fiscal year.

7 (f) THE TOURISM FUND, BEGINNING FROM AND AFTER JUNE 30, 2001 AN AMOUNT
8 EQUAL TO THE SUM OF THE FOLLOWING:

9 (i) THREE AND ONE-HALF PER CENT OF THE GROSS REVENUES DERIVED FROM
10 THE TRANSIENT LODGING CLASSIFICATION PURSUANT TO SECTION 42-5070 DURING THE
11 PRECEDING FISCAL YEAR.

12 (ii) THREE PER CENT OF THE GROSS REVENUES DERIVED FROM THE AMUSEMENT
13 CLASSIFICATION PURSUANT TO SECTION 42-5073 DURING THE PRECEDING FISCAL YEAR.

14 (iii) TWO PER CENT OF THE GROSS REVENUES DERIVED FROM THE RESTAURANT
15 CLASSIFICATION PURSUANT TO SECTION 42-5074 DURING THE PRECEDING FISCAL YEAR.

16 E. If approved by the qualified electors voting at a statewide general
17 election, All monies collected pursuant to section 42-5010, subsection G and
18 section 42-5155, subsection D shall be distributed each fiscal year pursuant
19 to this subsection. The monies distributed pursuant to this subsection are
20 in addition to any other appropriation, transfer or other allocation of
21 public or private monies from any other source and shall not supplant,
22 replace or cause a reduction in other school district, charter school,
23 university or community college funding sources. The monies shall be
24 distributed as follows:

25 1. If there are outstanding state school facilities revenue bonds
26 pursuant to title 15, chapter 16, article 7, each month one-twelfth of the
27 amount that is necessary to pay the fiscal year's debt service on outstanding
28 state school improvement revenue bonds for the current fiscal year shall be
29 transferred each month to the school improvement revenue bond debt service
30 fund established by section 15-2084. The total amount of bonds for which
31 these monies may be allocated for the payment of debt service shall not
32 exceed a principal amount of eight hundred million dollars exclusive of
33 refunding bonds and other refinancing obligations.

34 2. After any transfer of monies pursuant to paragraph 1 of this
35 subsection, twelve per cent of the remaining monies collected during the
36 preceding month shall be transferred to the technology and research
37 initiative fund established by section 15-1648 to be distributed among the
38 universities for the purpose of investment in technology and research-based
39 initiatives.

40 3. After the transfer of monies pursuant to paragraph 1 of this
41 subsection, three per cent of the remaining monies collected during the
42 preceding month shall be transferred to the workforce development account
43 established in each community college district pursuant to section 15-1472
44 for the purpose of investment in workforce development programs.

1 4. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
2 subsection, one-twelfth of the amount a community college that is owned,
3 operated or chartered by a qualifying Indian tribe on its own Indian
4 reservation would receive pursuant to section 15-1472, subsection D,
5 paragraph 2 if it were a community college district under the jurisdiction
6 of the state board of directors for community colleges shall be distributed
7 each month to the treasurer or other designated depository of a qualifying
8 Indian tribe. Monies distributed pursuant to this paragraph are for the
9 exclusive purpose of providing support to one or more community colleges
10 owned, operated or chartered by a qualifying Indian tribe and shall be used
11 in a manner consistent with section 15-1472, subsection B. For purposes of
12 this paragraph, "qualifying Indian tribe" has the same meaning as defined in
13 section 42-5031.01, subsection D.

14 5. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
15 subsection, one-twelfth of the following amounts shall be transferred each
16 month to the department of education for the increased cost of basic state
17 aid under section 15-971 due to added school days and associated teacher
18 salary increases enacted in 2000:

- 19 (a) In fiscal year 2001-2002, \$15,305,900.
20 (b) In fiscal year 2002-2003, \$31,530,100.
21 (c) In fiscal year 2003-2004, \$48,727,700.
22 (d) In fiscal year 2004-2005, \$66,957,200.
23 (e) In fiscal year 2005-2006 and each fiscal year thereafter,
24 \$86,280,500.

25 6. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
26 subsection, seven million eight hundred thousand dollars is appropriated each
27 fiscal year, to be paid in monthly installments, to the department of
28 education to be used for school safety as provided in section 15-154 and two
29 hundred thousand dollars is appropriated each fiscal year, to be paid in
30 monthly installments to the department of education to be used for the
31 character education matching grant program as provided in section 15-154.01.

32 7. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
33 subsection, no more than seven million dollars may be appropriated by the
34 legislature each fiscal year to the department of education to be used for
35 accountability purposes as described in section 15-241 and title 15, chapter
36 9, article 8.

37 8. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
38 subsection, one million five hundred thousand dollars is appropriated each
39 fiscal year, to be paid in monthly installments, to the failing schools
40 tutoring fund established by section 15-241.

41 9. After transferring monies pursuant to paragraphs 1, 2 and 3 of this
42 subsection, twenty-five million dollars shall be transferred each fiscal year
43 to the state general fund to reimburse the general fund for the cost of the
44 income tax credit allowed by section 43-1072.01.

1 10. After the payment of monies pursuant to paragraphs 1 through 9 of
2 this subsection, the remaining monies collected during the preceding month
3 shall be transferred to the classroom site fund established by section
4 15-977. The monies shall be allocated as follows in the manner prescribed by
5 section 15-977:

6 (a) Forty per cent shall be allocated for teacher compensation based
7 on performance.

8 (b) Twenty per cent shall be allocated for increases in teacher base
9 compensation and employee related expenses.

10 (c) Forty per cent shall be allocated for maintenance and operation
11 purposes.

12 F. The department shall credit the remainder of the monies in the
13 transaction privilege and severance tax clearing account to the state general
14 fund, subject to any distribution required by section 42-5030.01.

15 G. Notwithstanding subsection D of this section, if a court of
16 competent jurisdiction finally determines that tax monies distributed under
17 this section were illegally collected under this article or articles 5, 8 and
18 9 of this chapter and orders the monies to be refunded to the taxpayer, the
19 department shall compute the amount of such monies that was distributed to
20 each city, town and county under this section. The department shall notify
21 the state treasurer of that amount plus the proportionate share of additional
22 allocated costs required to be paid to the taxpayer. Each city's, town's and
23 county's proportionate share of the costs shall be based on the amount of the
24 original tax payment each municipality and county received. Each month the
25 state treasurer shall reduce the amount otherwise distributable to the city,
26 town and county under this section by one thirty-sixth of the total amount
27 to be recovered from the city, town or county until the total amount has been
28 recovered, but the monthly reduction for any city, town or county shall not
29 exceed ten per cent of the full monthly distribution to that entity. The
30 reduction shall begin for the first calendar month after the final
31 disposition of the case and shall continue until the total amount, including
32 interest and costs, has been recovered.

33 H. On receiving a certificate of default from the greater Arizona
34 development authority pursuant to section 41-1554.06 or 41-1554.07 and to the
35 extent not otherwise expressly prohibited by law, the state treasurer shall
36 withhold from the next succeeding distribution of monies pursuant to this
37 section due to the defaulting political subdivision the amount specified in
38 the certificate of default and immediately deposit the amount withheld in the
39 greater Arizona development authority revolving fund. The state treasurer
40 shall continue to withhold and deposit the monies until the greater Arizona
41 development authority certifies to the state treasurer that the default has
42 been cured. In no event may the state treasurer withhold any amount that the
43 defaulting political subdivision certifies to the state treasurer and the
44 authority as being necessary to make any required deposits then due for the
45 payment of principal and interest on bonds of the political subdivision that

1 were issued before the date of the loan repayment agreement or bonds and that
2 have been secured by a pledge of distributions made pursuant to this section.

3 Sec. 10. Repeal

4 Section 42-5029, Arizona Revised Statutes, as amended by Laws 2000,
5 chapter 372, section 5, is repealed.

6 Sec. 11. Title 42, chapter 5, article 1, Arizona Revised Statutes, is
7 amended by adding section 42-5032.02, to read:

8 42-5032.02. Payment of revenues to budget stabilization fund

9 A. BEGINNING JUNE 30, 2001 AND EACH JUNE 30 THEREAFTER, AFTER ANY
10 DISTRIBUTIONS OF REVENUES UNDER SECTION 42-5030.01, THE STATE TREASURER SHALL
11 TRANSFER, FROM THE AMOUNT DESIGNATED AS DISTRIBUTION BASE PURSUANT TO SECTION
12 42-5029, SUBSECTION D TO THE BUDGET STABILIZATION FUND, ESTABLISHED BY
13 SECTION 35-144, AN AMOUNT NOT EXCEEDING SIXTEEN MILLION DOLLARS IN ANY FISCAL
14 YEAR DETERMINED ACCORDING TO THE SCHEDULE ADOPTED PURSUANT TO SUBSECTION B
15 OF THIS SECTION.

16 B. THE JOINT LEGISLATIVE BUDGET COMMITTEE SHALL ANNUALLY COMPUTE A
17 REPAYMENT SCHEDULE FOR THE AMOUNT TRANSFERRED FROM THE BUDGET STABILIZATION
18 FUND IN FISCAL YEARS 2000-2001, 2001-2002 AND 2002-2003 TO PAY THE AMOUNT OF
19 ALL CLAIMS FROM THE CONSUMER LOSS RECOVERY FUND ESTABLISHED BY SECTION
20 41-622.02 AND INCOME TAX CREDITS NOT USED TO OFFSET INCOME TAX LIABILITIES
21 RELATING TO ALTERNATIVE FUEL TAX INCENTIVES. THE REPAYMENT SCHEDULE SHALL
22 INCLUDE INTEREST ON THE UNPAID BALANCE OF THE AMOUNTS TRANSFERRED FROM THE
23 BUDGET STABILIZATION FUND IN FISCAL YEARS 2000-2001, 2001-2002 AND 2002-2003.
24 THE INTEREST RATE SHALL BE EQUAL TO THE AVERAGE RATE EARNED BY MONIES IN THE
25 BUDGET STABILIZATION FUND IN THAT YEAR AS DETERMINED BY THE STATE TREASURER.

26 Sec. 12. Section 42-5061, Arizona Revised Statutes, as amended by Laws
27 2000, chapter 63, section 5, chapter 401, section 1 and chapter 405, section
28 23, is amended to read:

29 42-5061. Retail classification; definitions

30 A. The retail classification is comprised of the business of selling
31 tangible personal property at retail. The tax base for the retail
32 classification is the gross proceeds of sales or gross income derived from
33 the business. The tax imposed on the retail classification does not apply
34 to the gross proceeds of sales or gross income from:

35 1. Professional or personal service occupations or businesses which
36 involve sales or transfers of tangible personal property only as
37 inconsequential elements.

38 2. Services rendered in addition to selling tangible personal property
39 at retail.

40 3. Sales of warranty or service contracts. The storage, use or
41 consumption of tangible personal property provided under the conditions of
42 such contracts is subject to tax under section 42-5156.

43 4. Sales of tangible personal property by any nonprofit organization
44 organized and operated exclusively for charitable purposes and recognized by

- 1 the United States internal revenue service under section 501(c)(3) of the
2 internal revenue code.
- 3 5. Sales to persons engaged in business classified under the
4 restaurant classification of articles used by human beings for food, drink
5 or condiment, whether simple, mixed or compounded.
- 6 6. Business activity which is properly included in any other business
7 classification which is taxable under article 1 of this chapter.
- 8 7. The sale of stocks and bonds.
- 9 8. Drugs and medical oxygen, including delivery hose, mask or tent,
10 regulator and tank, on the prescription of a member of the medical, dental
11 or veterinarian profession who is licensed by law to administer such
12 substances.
- 13 9. Prosthetic appliances as defined in section 23-501 prescribed or
14 recommended by a health professional licensed pursuant to title 32, chapter
15 7, 8, 11, 13, 14, 15, 16, 17 or 29.
- 16 10. Insulin, insulin syringes and glucose test strips.
- 17 11. Prescription eyeglasses or contact lenses.
- 18 12. Hearing aids as defined in section 36-1901.
- 19 13. Durable medical equipment which has a federal health care financing
20 administration common procedure code, is designated reimbursable by medicare,
21 is prescribed by a person who is licensed under title 32, chapter 7, 8, 13,
22 14, 15, 17 or 29, can withstand repeated use, is primarily and customarily
23 used to serve a medical purpose, is generally not useful to a person in the
24 absence of illness or injury and is appropriate for use in the home.
- 25 14. Sales to nonresidents of this state for use outside this state if
26 the vendor ships or delivers the tangible personal property out of this
27 state.
- 28 15. Food, as provided in and subject to the conditions of article 3 of
29 this chapter and section 42-5074.
- 30 16. Items purchased with United States department of agriculture food
31 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
32 958) or food instruments issued under section 17 of the child nutrition act
33 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
34 section 1786).
- 35 17. Textbooks by any bookstore that are required by any state
36 university or community college.
- 37 18. Food and drink to a person who is engaged in business which is
38 classified under the restaurant classification and which provides such food
39 and drink without monetary charge to its employees for their own consumption
40 on the premises during the employees' hours of employment.
- 41 19. Articles of food, drink or condiment and accessory tangible
42 personal property to a school district if such articles and accessory
43 tangible personal property are to be prepared and served to persons for
44 consumption on the premises of a public school within the district during
45 school hours.

1 20. Lottery tickets or shares pursuant to title 5, chapter 5,
2 article 1.

3 21. The sale of precious metal bullion and monetized bullion to the
4 ultimate consumer, but the sale of coins or other forms of money for
5 manufacture into jewelry or works of art is subject to the tax. In this
6 paragraph:

7 (a) "Monetized bullion" means coins and other forms of money which are
8 manufactured from gold, silver or other metals and which have been or are
9 used as a medium of exchange in this or another state, the United States or
10 a foreign nation.

11 (b) "Precious metal bullion" means precious metal, including gold,
12 silver, platinum, rhodium and palladium, which has been smelted or refined
13 so that its value depends on its contents and not on its form.

14 22. Motor vehicle fuel and use fuel which are subject to a tax imposed
15 under title 28, chapter 16, article 1 or 2, sales of use fuel to a holder of
16 a valid single trip use fuel tax permit issued under section 28-5739, sales
17 of aviation fuel which are subject to the tax imposed under section 28-8344
18 and sales of jet fuel which are subject to the tax imposed under article 8
19 of this chapter.

20 23. Tangible personal property sold to a person engaged in the business
21 of leasing or renting such property under the personal property rental
22 classification if such property is to be leased or rented by such person.

23 24. Tangible personal property sold in interstate or foreign commerce
24 if prohibited from being so taxed by the Constitution of the United States
25 or the constitution of this state.

26 25. Tangible personal property sold to:

27 (a) A qualifying hospital as defined in section 42-5001.

28 (b) A qualifying health care organization as defined in section
29 42-5001 if the tangible personal property is used by the organization solely
30 to provide health and medical related educational and charitable services.

31 (c) A qualifying health care organization as defined in section
32 42-5001 if the organization is dedicated to providing educational,
33 therapeutic, rehabilitative and family medical education training for blind,
34 visually impaired and multihandicapped children from the time of birth to age
35 twenty-one.

36 (d) A qualifying community health center as defined in section
37 42-5001.

38 (e) A nonprofit charitable organization that has qualified under
39 section 501(c)(3) of the internal revenue code and that regularly serves
40 meals to the needy and indigent on a continuing basis at no cost.

41 (f) For taxable periods beginning from and after June 30, 2001, a
42 nonprofit charitable organization that has qualified under section 501(c)(3)
43 of the internal revenue code and that provides residential apartment housing
44 for low income persons over sixty-two years of age in a facility that
45 qualifies for a federal housing subsidy, if the tangible personal property

1 is used by the organization solely to provide residential apartment housing
2 for low income persons over sixty-two years of age in a facility that
3 qualifies for a federal housing subsidy.

4 26. Magazines or other periodicals or other publications by this state
5 to encourage tourist travel.

6 27. Tangible personal property sold to a person that is subject to tax
7 under this article by reason of being engaged in business classified under
8 the prime contracting classification under section 42-5075, or to a
9 subcontractor working under the control of a prime contractor that is subject
10 to tax under article 1 of this chapter, if the property so sold is any of the
11 following:

12 (a) Incorporated or fabricated by the person into any real property,
13 structure, project, development or improvement as part of the business.

14 (b) Used in environmental response or remediation activities under
15 section 42-5075, subsection B, paragraph 6.

16 (c) Incorporated or fabricated by the person into any lake facility
17 development in a commercial enhancement reuse district under conditions
18 prescribed for the deduction allowed by section 42-5075, subsection B,
19 paragraph 8.

20 28. The sale of a motor vehicle to:

21 (a) A nonresident of this state if the purchaser's state of residence
22 does not allow a corresponding use tax exemption to the tax imposed by
23 article 1 of this chapter and if the nonresident has secured a special
24 thirty-day nonresident registration of the vehicle by applying according to
25 section 28-2154.

26 (b) An enrolled member of an Indian tribe who resides on the Indian
27 reservation established for that tribe.

28 29. Tangible personal property purchased or leased in this state by a
29 nonprofit charitable organization that has qualified under section 501(c)(3)
30 of the United States internal revenue code and that engages in and uses such
31 property exclusively for training, job placement or rehabilitation programs
32 or testing for mentally or physically handicapped persons.

33 30. Sales of tangible personal property by a nonprofit organization
34 that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6)
35 of the internal revenue code if the organization is associated with a major
36 league baseball team or a national touring professional golfing association
37 and no part of the organization's net earnings inures to the benefit of any
38 private shareholder or individual.

39 31. Sales of commodities, as defined by title 7 United States Code
40 section 2, that are consigned for resale in a warehouse in this state in or
41 from which the commodity is deliverable on a contract for future delivery
42 subject to the rules of a commodity market regulated by the United States
43 commodity futures trading commission.

44 32. Sales of tangible personal property by a nonprofit organization
45 that is exempt from taxation under section 501(c)(3), 501(c)(4), 501(c)(6),

1 501(c)(7) or 501(c)(8) of the internal revenue code if the organization
2 sponsors or operates a rodeo featuring primarily farm and ranch animals and
3 no part of the organization's net earnings inures to the benefit of any
4 private shareholder or individual.

5 33. Sales of new semitrailers, as defined in section 28-101,
6 manufactured in Arizona, or new parts manufactured in Arizona for
7 semitrailers sold by the manufacturer to a person who holds an interstate
8 commerce commission license for use in interstate commerce.

9 34. Sales of seeds, seedlings, roots, bulbs, cuttings and other
10 propagative material to persons who use those items to commercially produce
11 agricultural, horticultural, viticultural or floricultural crops in this
12 state.

13 35. Machinery, equipment, technology or related supplies that are only
14 useful to assist a person who is physically disabled as defined in section
15 46-191, has a developmental disability as defined in section 36-551 or has
16 a head injury as defined in section 41-3201 to be more independent and
17 functional.

18 36. Sales of tangible personal property that is shipped or delivered
19 directly to a destination outside the United States for use in that foreign
20 country.

21 37. Sales of natural gas or liquefied petroleum gas used to propel a
22 motor vehicle.

23 38. Paper machine clothing, such as forming fabrics and dryer felts,
24 sold to a paper manufacturer and directly used or consumed in paper
25 manufacturing.

26 39. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity
27 sold to a qualified environmental technology manufacturer, producer or
28 processor as defined in section 41-1514.02 and directly used or consumed in
29 the generation or provision of on-site power or energy solely for
30 environmental technology manufacturing, producing or processing or
31 environmental protection. This paragraph shall apply for fifteen full
32 consecutive calendar or fiscal years from the date the first paper
33 manufacturing machine is placed in service. In the case of an environmental
34 technology manufacturer, producer or processor who does not manufacture
35 paper, the time period shall begin with the date the first manufacturing,
36 processing or production equipment is placed in service.

37 40. Sales of liquid, solid or gaseous chemicals used in manufacturing,
38 processing, fabricating, mining, refining, metallurgical operations, research
39 and development and, beginning on January 1, 1999, printing, if using or
40 consuming the chemicals, alone or as part of an integrated system of
41 chemicals, involves direct contact with the materials from which the product
42 is produced for the purpose of causing or permitting a chemical or physical
43 change to occur in the materials as part of the production process. This
44 paragraph does not include chemicals that are used or consumed in activities
45 such as packaging, storage or transportation but does not affect any

1 deduction for such chemicals that is otherwise provided by this section. For
2 purposes of this paragraph, "printing" means a commercial printing operation
3 and includes job printing, engraving, embossing, copying and bookbinding.

4 41. Through December 31, 1994, personal property liquidation
5 transactions, conducted by a personal property liquidator. From and after
6 December 31, 1994, personal property liquidation transactions shall be
7 taxable under this section provided that nothing in this subsection shall be
8 construed to authorize the taxation of casual activities or transactions
9 under this chapter. In this paragraph:

10 (a) "Personal property liquidation transaction" means a sale of
11 personal property made by a personal property liquidator acting solely on
12 behalf of the owner of the personal property sold at the dwelling of the
13 owner or upon the death of any owner, on behalf of the surviving spouse, if
14 any, any devisee or heir or the personal representative of the estate of the
15 deceased, if one has been appointed.

16 (b) "Personal property liquidator" means a person who is retained to
17 conduct a sale in a personal property liquidation transaction.

18 42. Sales of food, drink and condiment for consumption within the
19 premises of any prison, jail or other institution under the jurisdiction of
20 the state department of corrections, the department of public safety, the
21 department of juvenile corrections or a county sheriff.

22 43. A motor vehicle and any repair and replacement parts and tangible
23 personal property becoming a part of such motor vehicle sold to a motor
24 carrier who is subject to a fee prescribed in title 28, chapter 16, article
25 4 and who is engaged in the business of leasing or renting such property.

26 44. Livestock and poultry feed, salts, vitamins and other additives for
27 livestock or poultry consumption that are sold to persons who are engaged in
28 producing livestock, poultry, or livestock or poultry products or who are
29 engaged in feeding livestock or poultry commercially. For purposes of this
30 paragraph, "poultry" includes ratites.

31 45. Sales of implants used as growth promotants and injectable
32 medicines, not already exempt under paragraph 8 of this subsection, for
33 livestock or poultry owned by or in possession of persons who are engaged in
34 producing livestock, poultry, or livestock or poultry products or who are
35 engaged in feeding livestock or poultry commercially. For purposes of this
36 paragraph, "poultry" includes ratites.

37 46. Sales of motor vehicles at auction to nonresidents of this state
38 for use outside this state if the vehicles are shipped or delivered out of
39 this state, regardless of where title to the motor vehicles passes or its
40 free on board point.

41 47. Tangible personal property sold to a person engaged in business and
42 subject to tax under the transient lodging classification if the tangible
43 personal property is a personal hygiene item which is furnished to and
44 intended to be consumed by the transient during the transient's occupancy.

1 48. Sales of alternative fuel, as defined in section 1-215, to a used
2 oil fuel burner who has received a permit to burn used oil or used oil fuel
3 under section 49-426 or 49-480.

4 49. Sales of materials that are purchased by or for publicly funded
5 libraries including school district libraries, charter school libraries,
6 community college libraries, state university libraries or federal, state,
7 county or municipal libraries for use by the public as follows:

8 (a) Printed or photographic materials, beginning August 7, 1985.

9 (b) Electronic or digital media materials, beginning July 17, 1994.

10 50. Tangible personal property sold to a commercial airline and
11 consisting of food, beverages and condiments and accessories used for serving
12 the food and beverages, if those items are to be provided without additional
13 charge to passengers for consumption in flight. For purposes of this
14 paragraph, "commercial airline" means a person holding a federal certificate
15 of public convenience and necessity or foreign air carrier permit for air
16 transportation to transport persons, property or United States mail in
17 intrastate, interstate or foreign commerce.

18 51. Sales of alternative fuel vehicles, as defined in section 43-1086,
19 IF THE VEHICLE WAS MANUFACTURED AS A DIESEL FUEL VEHICLE AND CONVERTED TO
20 OPERATE ON ALTERNATIVE FUEL and equipment that is installed in a conventional
21 DIESEL FUEL motor vehicle to convert the vehicle to operate on an alternative
22 fuel, as defined in section 1-215.

23 52. Sales of any spirituous, vinous or malt liquor by a person that is
24 licensed in this state as a wholesaler by the department of liquor licenses
25 and control pursuant to title 4, chapter 2, article 1.

26 53. Sales of tangible personal property to be incorporated or installed
27 as part of environmental response or remediation activities under section
28 42-5075, subsection B, paragraph 6.

29 B. In addition to the deductions from the tax base prescribed by
30 subsection A of this section, the gross proceeds of sales or gross income
31 derived from sales of the following categories of tangible personal property
32 shall be deducted from the tax base:

33 1. Machinery, or equipment, used directly in manufacturing,
34 processing, fabricating, job printing, refining or metallurgical operations.
35 The terms "manufacturing", "processing", "fabricating", "job printing",
36 "refining" and "metallurgical" as used in this paragraph refer to and include
37 those operations commonly understood within their ordinary meaning.
38 "Metallurgical operations" includes leaching, milling, precipitating,
39 smelting and refining.

40 2. Mining machinery, or equipment, used directly in the process of
41 extracting ores or minerals from the earth for commercial purposes, including
42 equipment required to prepare the materials for extraction and handling,
43 loading or transporting such extracted material to the surface. "Mining"
44 includes underground, surface and open pit operations for extracting ores and
45 minerals.

1 3. Tangible personal property sold to persons engaged in business
2 classified under the telecommunications classification and consisting of
3 central office switching equipment, switchboards, private branch exchange
4 equipment, microwave radio equipment and carrier equipment including optical
5 fiber, coaxial cable and other transmission media which are components of
6 carrier systems.

7 4. Machinery, equipment or transmission lines used directly in
8 producing or transmitting electrical power, but not including distribution.
9 Transformers and control equipment used at transmission substation sites
10 constitute equipment used in producing or transmitting electrical power.

11 5. Neat animals, horses, asses, sheep, ratites, swine or goats used
12 or to be used as breeding or production stock, including sales of breedings
13 or ownership shares in such animals used for breeding or production.

14 6. Pipes or valves four inches in diameter or larger used to transport
15 oil, natural gas, artificial gas, water or coal slurry, including compressor
16 units, regulators, machinery and equipment, fittings, seals and any other
17 part that is used in operating the pipes or valves.

18 7. Aircraft, navigational and communication instruments and other
19 accessories and related equipment sold to:

20 (a) A person holding a federal certificate of public convenience and
21 necessity, a supplemental air carrier certificate under federal aviation
22 regulations (14 Code of Federal Regulations part 121) or a foreign air
23 carrier permit for air transportation for use as or in conjunction with or
24 becoming a part of aircraft to be used to transport persons, property or
25 United States mail in intrastate, interstate or foreign commerce.

26 (b) Any foreign government for use by such government outside of this
27 state.

28 (c) Persons who are not residents of this state and who will not use
29 such property in this state other than in removing such property from this
30 state. This subdivision also applies to corporations that are not
31 incorporated in this state, regardless of maintaining a place of business in
32 this state, if the principal corporate office is located outside this state
33 and the property will not be used in this state other than in removing the
34 property from this state.

35 8. Machinery, tools, equipment and related supplies used or consumed
36 directly in repairing, remodeling or maintaining aircraft, aircraft engines
37 or aircraft component parts by or on behalf of a certificated or licensed
38 carrier of persons or property.

39 9. Railroad rolling stock, rails, ties and signal control equipment
40 used directly to transport persons or property.

41 10. Machinery or equipment used directly to drill for oil or gas or
42 used directly in the process of extracting oil or gas from the earth for
43 commercial purposes.

44 11. Buses or other urban mass transit vehicles which are used directly
45 to transport persons or property for hire or pursuant to a governmentally

1 adopted and controlled urban mass transportation program and which are sold
2 to bus companies holding a federal certificate of convenience and necessity
3 or operated by any city, town or other governmental entity or by any person
4 contracting with such governmental entity as part of a governmentally adopted
5 and controlled program to provide urban mass transportation.

6 12. Groundwater measuring devices required under section 45-604.

7 13. New machinery and equipment consisting of tractors, tractor-drawn
8 implements, self-powered implements, machinery and equipment necessary for
9 extracting milk and for producing livestock, and machinery and equipment
10 necessary for cooling milk and producing livestock, and drip irrigation lines
11 not already exempt under paragraph 6 of this subsection and that are used for
12 commercial production of agricultural, horticultural, viticultural and
13 floricultural crops and products in this state. In this paragraph:

14 (a) "New machinery and equipment" means machinery and equipment which
15 have never been sold at retail except pursuant to leases or rentals which do
16 not total two years or more.

17 (b) "Self-powered implements" includes machinery and equipment that
18 are electric-powered.

19 14. Machinery or equipment used in research and development. In this
20 paragraph, "research and development" means basic and applied research in the
21 sciences and engineering, and designing, developing or testing prototypes,
22 processes or new products, including research and development of computer
23 software that is embedded in or an integral part of the prototype or new
24 product or that is required for machinery or equipment otherwise exempt under
25 this section to function effectively. Research and development do not
26 include manufacturing quality control, routine consumer product testing,
27 market research, sales promotion, sales service, research in social sciences
28 or psychology, computer software research that is not included in the
29 definition of research and development, or other nontechnological activities
30 or technical services.

31 15. Machinery and equipment that are purchased by or on behalf of the
32 owners of a soundstage complex and primarily used for motion picture,
33 multimedia or interactive video production in the complex. This paragraph
34 applies only if the initial construction of the soundstage complex begins
35 after June 30, 1996 and before January 1, 2002 and the machinery and
36 equipment are purchased before the expiration of five years after the start
37 of initial construction. For purposes of this paragraph:

38 (a) "Motion picture, multimedia or interactive video production"
39 includes products for theatrical and television release, educational
40 presentations, electronic retailing, documentaries, music videos, industrial
41 films, CD-ROM, video game production, commercial advertising and television
42 episode production and other genres that are introduced through developing
43 technology.

44 (b) "Soundstage complex" means a facility of multiple stages including
45 production offices, construction shops and related areas, prop and costume

1 shops, storage areas, parking for production vehicles and areas that are
2 leased to businesses that complement the production needs and orientation of
3 the overall facility.

4 16. Tangible personal property that is used by either of the following
5 to receive, store, convert, produce, generate, decode, encode, control or
6 transmit telecommunications information:

7 (a) Any direct broadcast satellite television or data transmission
8 service that operates pursuant to 47 Code of Federal Regulations parts 25 and
9 100.

10 (b) Any satellite television or data transmission facility, if both
11 of the following conditions are met:

12 (i) Over two-thirds of the transmissions, measured in megabytes,
13 transmitted by the facility during the test period were transmitted to or on
14 behalf of one or more direct broadcast satellite television or data
15 transmission services that operate pursuant to 47 Code of Federal Regulations
16 parts 25 and 100.

17 (ii) Over two-thirds of the transmissions, measured in megabytes,
18 transmitted by or on behalf of those direct broadcast television or data
19 transmission services during the test period were transmitted by the facility
20 to or on behalf of those services.

21 For purposes of subdivision (b) of this paragraph, "test period" means the
22 three hundred sixty-five day period beginning on the later of the date on
23 which the tangible personal property is purchased or the date on which the
24 direct broadcast satellite television or data transmission service first
25 transmits information to its customers.

26 17. Clean rooms that are used for manufacturing, processing,
27 fabrication or research and development, as defined in paragraph 14 of this
28 subsection, of semiconductor products. For purposes of this paragraph,
29 "clean room" means all property that comprises or creates an environment
30 where humidity, temperature, particulate matter and contamination are
31 precisely controlled within specified parameters, without regard to whether
32 the property is actually contained within that environment or whether any of
33 the property is affixed to or incorporated into real property. Clean room:

34 (a) Includes the integrated systems, fixtures, piping, movable
35 partitions, lighting and all property that is necessary or adapted to reduce
36 contamination or to control airflow, temperature, humidity, chemical purity
37 or other environmental conditions or manufacturing tolerances, as well as the
38 production machinery and equipment operating in conjunction with the clean
39 room environment.

40 (b) Does not include the building or other permanent, nonremovable
41 component of the building that houses the clean room environment.

42 18. Machinery and equipment used directly in the feeding of poultry,
43 the environmental control of housing for poultry, the movement of eggs within
44 a production and packaging facility or the sorting or cooling of eggs. This
45 exemption does not apply to vehicles used for transporting eggs.

1 19. Machinery or equipment, including related structural components,
2 that is employed in connection with manufacturing, processing, fabricating,
3 job printing, refining, mining, natural gas pipelines, metallurgical
4 operations, telecommunications, producing or transmitting electricity or
5 research and development and that is used directly to meet or exceed rules
6 or regulations adopted by the federal energy regulatory commission, the
7 United States environmental protection agency, the United States nuclear
8 regulatory commission, the Arizona department of environmental quality or a
9 political subdivision of this state to prevent, monitor, control or reduce
10 land, water or air pollution.

11 20. Machinery and equipment that are sold to a person engaged in the
12 commercial production of livestock, livestock products or agricultural,
13 horticultural, viticultural or floricultural crops or products in this state
14 and that are used directly and primarily to prevent, monitor, control or
15 reduce air, water or land pollution.

16 21. Machinery or equipment that enables a television station to
17 originate and broadcast or to receive and broadcast digital television
18 signals and that was purchased to facilitate compliance with the
19 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States
20 Code section 336) and the federal communications commission order issued
21 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does
22 not exempt any of the following:

23 (a) Repair or replacement parts purchased for the machinery or
24 equipment described in this paragraph.

25 (b) Machinery or equipment purchased to replace machinery or equipment
26 for which an exemption was previously claimed and taken under this paragraph.

27 (c) Any machinery or equipment purchased after the television station
28 has ceased analog broadcasting, or purchased after November 1, 2009,
29 whichever occurs first.

30 C. The deductions provided by subsection B of this section do not
31 include sales of:

32 1. Expendable materials. For purposes of this paragraph, expendable
33 materials do not include any of the categories of tangible personal property
34 specified in subsection B of this section regardless of the cost or useful
35 life of that property.

36 2. Janitorial equipment and hand tools.

37 3. Office equipment, furniture and supplies.

38 4. Tangible personal property used in selling or distributing
39 activities, other than the telecommunications transmissions described in
40 subsection B, paragraph 16 of this section.

41 5. Motor vehicles required to be licensed by this state, except buses
42 or other urban mass transit vehicles specifically exempted pursuant to
43 subsection B, paragraph 11 of this section, without regard to the use of such
44 motor vehicles.

1 6. Shops, buildings, docks, depots and all other materials of whatever
2 kind or character not specifically included as exempt.

3 7. Motors and pumps used in drip irrigation systems.

4 D. In computing the tax base, gross proceeds of sales or gross income
5 from retail sales of automobiles does not include any amount attributable to
6 federal excise taxes imposed by 26 United States Code section 4001.

7 E. In addition to the deductions from the tax base prescribed by
8 subsection A of this section, there shall be deducted from the tax base the
9 gross proceeds of sales or gross income derived from sales of machinery,
10 equipment, materials and other tangible personal property used directly and
11 predominantly to construct a qualified environmental technology
12 manufacturing, producing or processing facility as described in section
13 41-1514.02. This subsection applies for ten full consecutive calendar or
14 fiscal years after the start of initial construction.

15 F. In computing the tax base, gross proceeds of sales or gross income
16 from retail sales of heavy trucks and trailers does not include any amount
17 attributable to federal excise taxes imposed by 26 United States Code section
18 4051.

19 G. In computing the tax base, gross proceeds of sales or gross income
20 from the sale of use fuel, as defined in section 28-5701, does not include
21 any amount attributable to federal excise taxes imposed by 26 United States
22 Code section 4091.

23 H. If a person is engaged in an occupation or business to which
24 subsection A of this section applies, the person's books shall be kept so as
25 to show separately the gross proceeds of sales of tangible personal property
26 and the gross income from sales of services, and if not so kept the tax shall
27 be imposed on the total of the person's gross proceeds of sales of tangible
28 personal property and gross income from services.

29 I. If a person is engaged in the business of selling tangible personal
30 property at both wholesale and retail, the tax under this section applies
31 only to the gross proceeds of the sales made other than at wholesale if the
32 person's books are kept so as to show separately the gross proceeds of sales
33 of each class, and if the books are not so kept, the tax under this section
34 applies to the gross proceeds of every sale so made.

35 J. A person who engages in manufacturing, baling, crating, boxing,
36 barreling, canning, bottling, sacking, preserving, processing or otherwise
37 preparing for sale or commercial use any livestock, agricultural or
38 horticultural product or any other product, article, substance or commodity
39 and who sells the product of such business at retail in this state is deemed,
40 as to such sales, to be engaged in business classified under the retail
41 classification. This subsection does not apply to businesses classified
42 under the:

- 43 1. Transporting classification.
- 44 2. Utility classification.
- 45 3. Telecommunications classification.

- 1 4. Pipeline classification.
- 2 5. Private car line classification.
- 3 6. Publication classification.
- 4 7. Job printing classification.
- 5 8. Prime contracting classification.
- 6 9. Owner builder sales classification.
- 7 10. Restaurant classification.
- 8 K. The gross proceeds of sales or gross income derived from the
- 9 following shall be deducted from the tax base for the retail classification:
- 10 1. Sales made directly to the United States government or its
- 11 departments or agencies by a manufacturer, modifier, assembler or repairer.
- 12 2. Sales made directly to a manufacturer, modifier, assembler or
- 13 repairer if such sales are of any ingredient or component part of products
- 14 sold directly to the United States government or its departments or agencies
- 15 by the manufacturer, modifier, assembler or repairer.
- 16 3. Overhead materials or other tangible personal property that is used
- 17 in performing a contract between the United States government and a
- 18 manufacturer, modifier, assembler or repairer, including property used in
- 19 performing a subcontract with a government contractor who is a manufacturer,
- 20 modifier, assembler or repairer, to which title passes to the government
- 21 under the terms of the contract or subcontract.
- 22 4. Sales of overhead materials or other tangible personal property to
- 23 a manufacturer, modifier, assembler or repairer if the gross proceeds of
- 24 sales or gross income derived from the property by the manufacturer,
- 25 modifier, assembler or repairer will be exempt under paragraph 3 of this
- 26 subsection.
- 27 L. There shall be deducted from the tax base fifty per cent of the
- 28 gross proceeds or gross income from any sale of tangible personal property
- 29 made directly to the United States government or its departments or agencies,
- 30 which is not deducted under subsection K of this section.
- 31 M. The department shall require every person claiming a deduction
- 32 provided by subsection K or L of this section to file on forms prescribed by
- 33 the department at such times as the department directs a sworn statement
- 34 disclosing the name of the purchaser and the exact amount of sales on which
- 35 the exclusion or deduction is claimed.
- 36 N. In computing the tax base, gross proceeds of sales or gross income
- 37 does not include:
- 38 1. A manufacturer's cash rebate on the sales price of a motor vehicle
- 39 if the buyer assigns the buyer's right in the rebate to the retailer.
- 40 2. The waste tire disposal fee imposed pursuant to section 44-1302.
- 41 O. There shall be deducted from the tax base the amount received from
- 42 sales of solar energy devices, but the deduction shall not exceed five
- 43 thousand dollars for each solar energy device. Before deducting any amount
- 44 under this subsection, the retailer shall register with the department as a
- 45 solar energy retailer. By registering, the retailer acknowledges that it

1 will make its books and records relating to sales of solar energy devices
2 available to the department for examination.

3 P. In computing the tax base in the case of the sale or transfer of
4 wireless telecommunications equipment as an inducement to a customer to enter
5 into or continue a contract for telecommunications services that are taxable
6 under section 42-5064, gross proceeds of sales or gross income does not
7 include any sales commissions or other compensation received by the retailer
8 as a result of the customer entering into or continuing a contract for the
9 telecommunications services.

10 Q. For the purposes of this section, a sale of wireless
11 telecommunications equipment to a person who holds the equipment for sale or
12 transfer to a customer as an inducement to enter into or continue a contract
13 for telecommunications services that are taxable under section 42-5064 is
14 considered to be a sale for resale in the regular course of business.

15 R. Retail sales of prepaid calling cards or prepaid authorization
16 numbers for telecommunications services, including sales of reauthorization
17 of a prepaid card or authorization number, are subject to tax under this
18 section.

19 S. For the purposes of this section, the diversion of gas from a
20 pipeline by a person engaged in the business of operating a natural or
21 artificial gas pipeline, for the sole purpose of fueling compressor equipment
22 to pressurize the pipeline, is not a sale of the gas to the operator of the
23 pipeline.

24 T. If a seller is entitled to a deduction pursuant to subsection B,
25 paragraph 16, subdivision (b) of this section, the department may require the
26 purchaser to establish that the requirements of subsection B, paragraph 16,
27 subdivision (b) of this section have been satisfied. If the purchaser cannot
28 establish that the requirements of subsection B, paragraph 16, subdivision
29 (b) of this section have been satisfied, the purchaser is liable in an amount
30 equal to any tax, penalty and interest which the seller would have been
31 required to pay under article 1 of this chapter if the seller had not made
32 a deduction pursuant to subsection B, paragraph 16, subdivision (b) of this
33 section. Payment of the amount under this subsection exempts the purchaser
34 from liability for any tax imposed under article 4 of this chapter and
35 related to the tangible personal property purchased. The amount shall be
36 treated as transaction privilege tax to the purchaser and as tax revenues
37 collected from the seller to designate the distribution base pursuant to
38 section 42-5029.

39 U. FOR PURPOSES OF SECTION 42-5032.01, THE DEPARTMENT SHALL SEPARATELY
40 ACCOUNT FOR REVENUES COLLECTED UNDER THE RETAIL CLASSIFICATION FROM
41 BUSINESSES SELLING TANGIBLE PERSONAL PROPERTY AT RETAIL:

42 1. ON THE PREMISES OF A MULTIPURPOSE FACILITY THAT IS OWNED, LEASED
43 OR OPERATED BY THE TOURISM AND SPORTS AUTHORITY PURSUANT TO TITLE 5,
44 CHAPTER 8.

1 2. AT PROFESSIONAL FOOTBALL CONTESTS THAT ARE HELD IN A STADIUM
2 LOCATED ON THE CAMPUS OF AN INSTITUTION UNDER THE JURISDICTION OF THE ARIZONA
3 BOARD OF REGENTS.

4 ~~U.~~ V. For the purposes of this section:

5 1. "Aircraft" includes:

6 (a) An airplane flight simulator that is approved by the federal
7 aviation administration for use as a phase II or higher flight simulator
8 under appendix H, 14 Code of Federal Regulations part 121.

9 (b) Tangible personal property that is permanently affixed or attached
10 as a component part of an aircraft that is owned or operated by a
11 certificated or licensed carrier of persons or property.

12 2. "Other accessories and related equipment" includes aircraft
13 accessories and equipment such as ground service equipment that physically
14 contact aircraft at some point during the overall carrier operation.

15 3. "Selling at retail" means a sale for any purpose other than for
16 resale in the regular course of business in the form of tangible personal
17 property, but transfer of possession, lease and rental as used in the
18 definition of sale mean only such transactions as are found on investigation
19 to be in lieu of sales as defined without the words lease or rental.

20 ~~V.~~ W. For purposes of subsection K of this section:

21 1. "Assembler" means a person who unites or combines products, wares
22 or articles of manufacture so as to produce a change in form or substance
23 without changing or altering the component parts.

24 2. "Manufacturer" means a person who is principally engaged in the
25 fabrication, production or manufacture of products, wares or articles for use
26 from raw or prepared materials, imparting to those materials new forms,
27 qualities, properties and combinations.

28 3. "Modifier" means a person who reworks, changes or adds to products,
29 wares or articles of manufacture.

30 4. "Overhead materials" means tangible personal property, the gross
31 proceeds of sales or gross income derived from which would otherwise be
32 included in the retail classification, and which are used or consumed in the
33 performance of a contract, the cost of which is charged to an overhead
34 expense account and allocated to various contracts based upon generally
35 accepted accounting principles and consistent with government contract
36 accounting standards.

37 5. "Repairer" means a person who restores or renews products, wares
38 or articles of manufacture.

39 6. "Subcontract" means an agreement between a contractor and any
40 person who is not an employee of the contractor for furnishing of supplies
41 or services that, in whole or in part, are necessary to the performance of
42 one or more government contracts, or under which any portion of the
43 contractor's obligation under one or more government contracts is performed,
44 undertaken or assumed and that includes provisions causing title to overhead
45 materials or other tangible personal property used in the performance of the

1 subcontract to pass to the government or that includes provisions
2 incorporating such title passing clauses in a government contract into the
3 subcontract.

4 Sec. 13. Repeal

5 Section 42-5061, Arizona Revised Statutes, as amended by Laws 2000,
6 chapter 372, section 7, is repealed.

7 Sec. 14. Section 42-5159, Arizona Revised Statutes, is amended to
8 read:

9 42-5159. Exemptions

10 A. The tax levied by this article does not apply to the storage, use
11 or consumption in this state of the following described tangible personal
12 property:

13 1. Tangible personal property sold in this state, the gross receipts
14 from the sale of which are included in the measure of the tax imposed by
15 articles 1 and 2 of this chapter.

16 2. Tangible personal property the sale or use of which has already
17 been subjected to an excise tax at a rate equal to or exceeding the tax
18 imposed by this article under the laws of another state of the United States.
19 If the excise tax imposed by the other state is at a rate less than the tax
20 imposed by this article, the tax imposed by this article is reduced by the
21 amount of the tax already imposed by the other state.

22 3. Tangible personal property, the storage, use or consumption of
23 which the constitution or laws of the United States prohibit this state from
24 taxing.

25 4. Tangible personal property which directly enters into and becomes
26 an ingredient or component part of any manufactured, fabricated or processed
27 article, substance or commodity for sale in the regular course of business.

28 5. Motor vehicle fuel and use fuel, the sales, distribution or use of
29 which in this state is subject to the tax imposed under the provisions of
30 title 28, chapter 16, article 1 or 2, use fuel which is sold to or used by
31 a person holding a valid single trip use fuel tax permit issued under section
32 28-5739, aviation fuel, the sales, distribution or use of which in this state
33 is subject to the tax imposed under section 28-8344, and jet fuel, the sales,
34 distribution or use of which in this state is subject to the tax imposed
35 under article 8 of this chapter.

36 6. Tangible personal property brought into this state by an individual
37 who was a nonresident at the time the property was purchased for storage, use
38 or consumption by the individual if the first actual use or consumption of
39 the property was outside this state, unless the property is used in
40 conducting a business in this state.

41 7. Purchases of implants used as growth promotants and injectable
42 medicines, not already exempt under paragraph 16 of this subsection, for
43 livestock and poultry owned by, or in possession of, persons who are engaged
44 in producing livestock, poultry, or livestock or poultry products, or who are

1 engaged in feeding livestock or poultry commercially. For purposes of this
2 paragraph, "poultry" includes ratites.

3 8. Livestock, poultry, supplies, feed, salts, vitamins and other
4 additives for use or consumption in the businesses of farming, ranching and
5 feeding livestock or poultry, not including fertilizers, herbicides and
6 insecticides. For purposes of this paragraph, "poultry" includes ratites.

7 9. Seeds, seedlings, roots, bulbs, cuttings and other propagative
8 material for use in commercially producing agricultural, horticultural,
9 viticultural or floricultural crops in this state.

10 10. Tangible personal property not exceeding two hundred dollars in any
11 one month purchased by an individual at retail outside the continental limits
12 of the United States for the individual's own personal use and enjoyment.

13 11. Advertising supplements which are intended for sale with newspapers
14 published in this state and which have already been subjected to an excise
15 tax under the laws of another state in the United States which equals or
16 exceeds the tax imposed by this article.

17 12. Materials that are purchased by or for publicly funded libraries
18 including school district libraries, charter school libraries, community
19 college libraries, state university libraries or federal, state, county or
20 municipal libraries for use by the public as follows:

21 (a) Printed or photographic materials, beginning August 7, 1985.

22 (b) Electronic or digital media materials, beginning July 17, 1994.

23 13. Tangible personal property purchased by:

24 (a) A hospital organized and operated exclusively for charitable
25 purposes, no part of the net earnings of which inures to the benefit of any
26 private shareholder or individual.

27 (b) A hospital operated by this state or a political subdivision of
28 this state.

29 (c) A licensed nursing care institution or a licensed residential care
30 institution or a residential care facility operated in conjunction with a
31 licensed nursing care institution or a licensed kidney dialysis center, which
32 provides medical services, nursing services or health related services and
33 is not used or held for profit.

34 (d) A qualifying health care organization, as defined in section
35 42-5001, if the tangible personal property is used by the organization solely
36 to provide health and medical related educational and charitable services.

37 (e) A qualifying health care organization as defined in section
38 42-5001 if the organization is dedicated to providing educational,
39 therapeutic, rehabilitative and family medical education training for blind,
40 visually impaired and multihandicapped children from the time of birth to age
41 twenty-one.

42 (f) A nonprofit charitable organization that has qualified under
43 section 501(c)(3) of the United States internal revenue code and that engages
44 in and uses such property exclusively for training, job placement or

1 rehabilitation programs or testing for mentally or physically handicapped
2 persons.

3 (g) A person that is subject to tax under article 1 of this chapter
4 by reason of being engaged in business classified under the prime contracting
5 classification under section 42-5075, or a subcontractor working under the
6 control of a prime contractor, if the tangible personal property is any of
7 the following:

8 (i) Incorporated or fabricated by the contractor into a structure,
9 project, development or improvement in fulfillment of a contract.

10 (ii) Used in environmental response or remediation activities under
11 section 42-5075, subsection B, paragraph 6.

12 (iii) Incorporated or fabricated by the person into any lake facility
13 development in a commercial enhancement reuse district under conditions
14 prescribed for the deduction allowed by section 42-5075, subsection B,
15 paragraph 8.

16 (h) A nonprofit charitable organization that has qualified under
17 section 501(c)(3) of the internal revenue code if the property is purchased
18 from the parent or an affiliate organization that is located outside this
19 state.

20 (i) A qualifying community health center as defined in section
21 42-5001.

22 (j) A nonprofit charitable organization that has qualified under
23 section 501(c)(3) of the internal revenue code and that regularly serves
24 meals to the needy and indigent on a continuing basis at no cost.

25 (k) A person engaged in business under the transient lodging
26 classification if the property is a personal hygiene product which is
27 furnished without additional charge to and intended to be consumed by the
28 transient during the transient's occupancy.

29 (l) For taxable periods beginning from and after June 30, 2001, a
30 nonprofit charitable organization that has qualified under section 501(c)(3)
31 of the internal revenue code and that provides residential apartment housing
32 for low income persons over sixty-two years of age in a facility that
33 qualifies for a federal housing subsidy, if the tangible personal property
34 is used by the organization solely to provide residential apartment housing
35 for low income persons over sixty-two years of age in a facility that
36 qualifies for a federal housing subsidy.

37 14. Commodities, as defined by title 7 United States Code section 2,
38 that are consigned for resale in a warehouse in this state in or from which
39 the commodity is deliverable on a contract for future delivery subject to the
40 rules of a commodity market regulated by the United States commodity futures
41 trading commission.

42 15. Tangible personal property sold by:

43 (a) Any nonprofit organization organized and operated exclusively for
44 charitable purposes and recognized by the United States internal revenue
45 service under section 501(c)(3) of the internal revenue code.

1 (b) A nonprofit organization that is exempt from taxation under
2 section 501(c)(3) or 501(c)(6) of the internal revenue code if the
3 organization is associated with a major league baseball team or a national
4 touring professional golfing association and no part of the organization's
5 net earnings inures to the benefit of any private shareholder or individual.

6 (c) A nonprofit organization that is exempt from taxation under
7 section 501(c)(3), 501(c)(4), 501(c)(6), 501(c)(7) or 501(c)(8) of the
8 internal revenue code if the organization sponsors or operates a rodeo
9 featuring primarily farm and ranch animals and no part of the organization's
10 net earnings inures to the benefit of any private shareholder or individual.

11 16. Drugs and medical oxygen, including delivery hose, mask or tent,
12 regulator and tank, on the prescription of a member of the medical, dental
13 or veterinarian profession who is licensed by law to administer such
14 substances.

15 17. Prosthetic appliances, as defined in section 23-501, prescribed or
16 recommended by a person who is licensed, registered or otherwise
17 professionally credentialed as a physician, dentist, podiatrist,
18 chiropractor, naturopath, homeopath, nurse or optometrist.

19 18. Prescription eyeglasses and contact lenses.

20 19. Insulin, insulin syringes and glucose test strips.

21 20. Hearing aids as defined in section 36-1901.

22 21. Durable medical equipment which has a federal health care financing
23 administration common procedure code, is designated reimbursable by medicare,
24 is prescribed by a person who is licensed under title 32, chapter 7, 13, 17
25 or 29, can withstand repeated use, is primarily and customarily used to serve
26 a medical purpose, is generally not useful to a person in the absence of
27 illness or injury and is appropriate for use in the home.

28 22. Food, as provided in and subject to the conditions of article 3 of
29 this chapter and section 42-5074.

30 23. Items purchased with United States department of agriculture food
31 stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat.
32 958) or food instruments issued under section 17 of the child nutrition act
33 (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code
34 section 1786).

35 24. Food and drink provided without monetary charge by a taxpayer which
36 is subject to section 42-5074 to its employees for their own consumption on
37 the premises during the employees' hours of employment.

38 25. Tangible personal property that is used or consumed in a business
39 subject to section 42-5074 for human food, drink or condiment, whether
40 simple, mixed or compounded.

41 26. Food, drink or condiment and accessory tangible personal property
42 if they are to be prepared and served to persons for consumption on the
43 premises of a public school in a school district during school hours.

44 27. Lottery tickets or shares purchased pursuant to title 5, chapter
45 5, article 1.

1 28. Textbooks, sold by a bookstore, that are required by any state
2 university or community college.

3 29. Magazines, other periodicals or other publications produced by this
4 state to encourage tourist travel.

5 30. Paper machine clothing, such as forming fabrics and dryer felts,
6 purchased by a paper manufacturer and directly used or consumed in paper
7 manufacturing.

8 31. Coal, petroleum, coke, natural gas, virgin fuel oil and electricity
9 purchased by a qualified environmental technology manufacturer, producer or
10 processor as defined in section 41-1514.02 and directly used or consumed in
11 the generation or provision of on-site power or energy solely for
12 environmental technology manufacturing, producing or processing or
13 environmental protection. This paragraph shall apply for fifteen full
14 consecutive calendar or fiscal years from the date the first paper
15 manufacturing machine is placed in service. In the case of an environmental
16 technology manufacturer, producer or processor who does not manufacture
17 paper, the time period shall begin with the date the first manufacturing,
18 processing or production equipment is placed in service.

19 32. Motor vehicles that are removed from inventory by a motor vehicle
20 dealer as defined in section 28-4301 and that are provided to:

21 (a) Charitable or educational institutions that are exempt from
22 taxation under section 501(c)(3) of the internal revenue code.

23 (b) Public educational institutions.

24 (c) State universities or affiliated organizations of a state
25 university if no part of the organization's net earnings inures to the
26 benefit of any private shareholder or individual.

27 33. Natural gas or liquefied petroleum gas used to propel a motor
28 vehicle.

29 34. Machinery, equipment, technology or related supplies that are only
30 useful to assist a person who is physically disabled as defined in section
31 46-191, has a developmental disability as defined in section 36-551 or has
32 a head injury as defined in section 41-3201 to be more independent and
33 functional.

34 35. Liquid, solid or gaseous chemicals used in manufacturing,
35 processing, fabricating, mining, refining, metallurgical operations, research
36 and development and, beginning on January 1, 1999, printing, if using or
37 consuming the chemicals, alone or as part of an integrated system of
38 chemicals, involves direct contact with the materials from which the product
39 is produced for the purpose of causing or permitting a chemical or physical
40 change to occur in the materials as part of the production process. This
41 paragraph does not include chemicals that are used or consumed in activities
42 such as packaging, storage or transportation but does not affect any
43 exemption for such chemicals that is otherwise provided by this section. For
44 purposes of this paragraph "printing" means a commercial printing operation
45 and includes job printing, engraving, embossing, copying and bookbinding.

1 36. Food, drink and condiment purchased for consumption within the
2 premises of any prison, jail or other institution under the jurisdiction of
3 the state department of corrections, the department of public safety, the
4 department of juvenile corrections or a county sheriff.

5 37. A motor vehicle and any repair and replacement parts and tangible
6 personal property becoming a part of such motor vehicle sold to a motor
7 carrier who is subject to a fee prescribed in title 28, chapter 16, article
8 4 and who is engaged in the business of leasing or renting such property.

9 38. Tangible personal property which is or directly enters into and
10 becomes an ingredient or component part of cards used as prescription plan
11 identification cards.

12 39. Overhead materials or other tangible personal property that is used
13 in performing a contract between the United States government and a
14 manufacturer, modifier, assembler or repairer, including property used in
15 performing a subcontract with a government contractor who is a manufacturer,
16 modifier, assembler or repairer, to which title passes to the government
17 under the terms of the contract or subcontract. For purposes of this
18 paragraph:

19 (a) "Overhead materials" means tangible personal property, the gross
20 proceeds of sales or gross income derived from which would otherwise be
21 included in the retail classification, and which are used or consumed in the
22 performance of a contract, the cost of which is charged to an overhead
23 expense account and allocated to various contracts based upon generally
24 accepted accounting principles and consistent with government contract
25 accounting standards.

26 (b) "Subcontract" means an agreement between a contractor and any
27 person who is not an employee of the contractor for furnishing of supplies
28 or services that, in whole or in part, are necessary to the performance of
29 one or more government contracts, or under which any portion of the
30 contractor's obligation under one or more government contracts is performed,
31 undertaken or assumed, and that includes provisions causing title to overhead
32 materials or other tangible personal property used in the performance of the
33 subcontract to pass to the government or that includes provisions
34 incorporating such title passing clauses in a government contract into the
35 subcontract.

36 40. Through December 31, 1994, tangible personal property sold pursuant
37 to a personal property liquidation transaction, as defined in section
38 42-5061. From and after December 31, 1994, tangible personal property sold
39 pursuant to a personal property liquidation transaction, as defined in
40 section 42-5061, if the gross proceeds of the sales were included in the
41 measure of the tax imposed by article 1 of this chapter or if the personal
42 property liquidation was a casual activity or transaction.

43 41. Wireless telecommunications equipment that is held for sale or
44 transfer to a customer as an inducement to enter into or continue a contract
45 for telecommunications services that are taxable under section 42-5064.

1 42. Alternative fuel, as defined in section 1-215, purchased by a used
2 oil fuel burner who has received a permit to burn used oil or used oil fuel
3 under section 49-426 or 49-480.

4 43. Tangible personal property purchased by a commercial airline and
5 consisting of food, beverages and condiments and accessories used for serving
6 the food and beverages, if those items are to be provided without additional
7 charge to passengers for consumption in flight. For purposes of this
8 paragraph, "commercial airline" means a person holding a federal certificate
9 of public convenience and necessity or foreign air carrier permit for air
10 transportation to transport persons, property or United States mail in
11 intrastate, interstate or foreign commerce.

12 44. Alternative fuel vehicles, as defined in section 43-1086, IF THE
13 VEHICLE WAS MANUFACTURED AS A DIESEL FUEL VEHICLE AND CONVERTED TO OPERATE
14 ON ALTERNATIVE FUEL and equipment that is installed in a conventional DIESEL
15 FUEL motor vehicle to convert the vehicle to operate on an alternative fuel,
16 as defined in section 1-215.

17 45. Gas diverted from a pipeline, by a person engaged in the business
18 of operating a natural or artificial gas pipeline, and used or consumed for
19 the sole purpose of fueling compressor equipment that pressurizes the
20 pipeline.

21 46. Tangible personal property that is excluded, exempt or deductible
22 from transaction privilege tax pursuant to section 42-5063.

23 47. Tangible personal property purchased to be incorporated or
24 installed as part of environmental response or remediation activities under
25 section 42-5075, subsection B, paragraph 6.

26 B. In addition to the exemptions allowed by subsection A of this
27 section, the following categories of tangible personal property are also
28 exempt:

29 1. Machinery, or equipment, used directly in manufacturing,
30 processing, fabricating, job printing, refining or metallurgical operations.
31 The terms "manufacturing", "processing", "fabricating", "job printing",
32 "refining" and "metallurgical" as used in this paragraph refer to and include
33 those operations commonly understood within their ordinary meaning.
34 "Metallurgical operations" includes leaching, milling, precipitating,
35 smelting and refining.

36 2. Machinery, or equipment, used directly in the process of extracting
37 ores or minerals from the earth for commercial purposes, including equipment
38 required to prepare the materials for extraction and handling, loading or
39 transporting such extracted material to the surface. "Mining" includes
40 underground, surface and open pit operations for extracting ores and
41 minerals.

42 3. Tangible personal property sold to persons engaged in business
43 classified under the telecommunications classification under section 42-5064
44 and consisting of central office switching equipment, switchboards, private
45 branch exchange equipment, microwave radio equipment and carrier equipment

1 including optical fiber, coaxial cable and other transmission media which are
2 components of carrier systems.

3 4. Machinery, equipment or transmission lines used directly in
4 producing or transmitting electrical power, but not including distribution.
5 Transformers and control equipment used at transmission substation sites
6 constitute equipment used in producing or transmitting electrical power.

7 5. Neat animals, horses, asses, sheep, ratites, swine or goats used
8 or to be used as breeding or production stock, including sales of breedings
9 or ownership shares in such animals used for breeding or production.

10 6. Pipes or valves four inches in diameter or larger used to transport
11 oil, natural gas, artificial gas, water or coal slurry, including compressor
12 units, regulators, machinery and equipment, fittings, seals and any other
13 part that is used in operating the pipes or valves.

14 7. Aircraft, navigational and communication instruments and other
15 accessories and related equipment sold to:

16 (a) A person holding a federal certificate of public convenience and
17 necessity, a supplemental air carrier certificate under federal aviation
18 regulations (14 Code of Federal Regulations part 121) or a foreign air
19 carrier permit for air transportation for use as or in conjunction with or
20 becoming a part of aircraft to be used to transport persons, property or
21 United States mail in intrastate, interstate or foreign commerce.

22 (b) Any foreign government for use by such government outside of this
23 state, or sold to persons who are not residents of this state and who will
24 not use such property in this state other than in removing such property from
25 this state.

26 8. Machinery, tools, equipment and related supplies used or consumed
27 directly in repairing, remodeling or maintaining aircraft, aircraft engines
28 or aircraft component parts by or on behalf of a certificated or licensed
29 carrier of persons or property.

30 9. Rolling stock, rails, ties and signal control equipment used
31 directly to transport persons or property.

32 10. Machinery or equipment used directly to drill for oil or gas or
33 used directly in the process of extracting oil or gas from the earth for
34 commercial purposes.

35 11. Buses or other urban mass transit vehicles which are used directly
36 to transport persons or property for hire or pursuant to a governmentally
37 adopted and controlled urban mass transportation program and which are sold
38 to bus companies holding a federal certificate of convenience and necessity
39 or operated by any city, town or other governmental entity or by any person
40 contracting with such governmental entity as part of a governmentally adopted
41 and controlled program to provide urban mass transportation.

42 12. Groundwater measuring devices required under section 45-604.

43 13. New machinery and equipment consisting of tractors, tractor-drawn
44 implements, self-powered implements, machinery and equipment that are
45 necessary for extracting milk, and for cooling milk and livestock, and drip

1 irrigation lines not already exempt under paragraph 6 of this subsection and
2 used for commercial production of agricultural, horticultural, viticultural
3 and floricultural crops and products in this state. In this paragraph:

4 (a) "New machinery and equipment" means machinery or equipment which
5 has never been sold at retail except pursuant to leases or rentals which do
6 not total two years or more.

7 (b) "Self-powered implements" includes machinery and equipment that
8 are electric-powered.

9 14. Machinery or equipment used in research and development. In this
10 paragraph, "research and development" means basic and applied research in the
11 sciences and engineering, and designing, developing or testing prototypes,
12 processes or new products, including research and development of computer
13 software that is embedded in or an integral part of the prototype or new
14 product or that is required for machinery or equipment otherwise exempt under
15 this section to function effectively. Research and development do not
16 include manufacturing quality control, routine consumer product testing,
17 market research, sales promotion, sales service, research in social sciences
18 or psychology, computer software research that is not included in the
19 definition of research and development, or other nontechnological activities
20 or technical services.

21 15. Machinery and equipment that are purchased by or on behalf of the
22 owners of a soundstage complex and primarily used for motion picture,
23 multimedia or interactive video production in the complex. This paragraph
24 applies only if the initial construction of the soundstage complex begins
25 after June 30, 1996 and before January 1, 2002 and the machinery and
26 equipment are purchased before the expiration of five years after the start
27 of initial construction. For purposes of this paragraph:

28 (a) "Motion picture, multimedia or interactive video production"
29 includes products for theatrical and television release, educational
30 presentations, electronic retailing, documentaries, music videos, industrial
31 films, CD-ROM, video game production, commercial advertising and television
32 episode production and other genres that are introduced through developing
33 technology.

34 (b) "Soundstage complex" means a facility of multiple stages including
35 production offices, construction shops and related areas, prop and costume
36 shops, storage areas, parking for production vehicles and areas that are
37 leased to businesses that complement the production needs and orientation of
38 the overall facility.

39 16. Tangible personal property that is used by either of the following
40 to receive, store, convert, produce, generate, decode, encode, control or
41 transmit telecommunications information:

42 (a) Any direct broadcast satellite television or data transmission
43 service that operates pursuant to 47 Code of Federal Regulations parts 25 and
44 100.

1 (b) Any satellite television or data transmission facility, if both
2 of the following conditions are met:

3 (i) Over two-thirds of the transmissions, measured in megabytes,
4 transmitted by the facility during the test period were transmitted to or on
5 behalf of one or more direct broadcast satellite television or data
6 transmission services that operate pursuant to 47 Code of Federal Regulations
7 parts 25 and 100.

8 (ii) Over two-thirds of the transmissions, measured in megabytes,
9 transmitted by or on behalf of those direct broadcast television or data
10 transmission services during the test period were transmitted by the facility
11 to or on behalf of those services.

12 For purposes of subdivision (b) of this paragraph, "test period" means the
13 three hundred sixty-five day period beginning on the later of the date on
14 which the tangible personal property is purchased or the date on which the
15 direct broadcast satellite television or data transmission service first
16 transmits information to its customers.

17 17. Clean rooms that are used for manufacturing, processing,
18 fabrication or research and development, as defined in paragraph 14 of this
19 subsection, of semiconductor products. For purposes of this paragraph,
20 "clean room" means all property that comprises or creates an environment
21 where humidity, temperature, particulate matter and contamination are
22 precisely controlled within specified parameters, without regard to whether
23 the property is actually contained within that environment or whether any of
24 the property is affixed to or incorporated into real property. Clean room:

25 (a) Includes the integrated systems, fixtures, piping, movable
26 partitions, lighting and all property that is necessary or adapted to reduce
27 contamination or to control airflow, temperature, humidity, chemical purity
28 or other environmental conditions or manufacturing tolerances, as well as the
29 production machinery and equipment operating in conjunction with the clean
30 room environment.

31 (b) Does not include the building or other permanent, nonremovable
32 component of the building that houses the clean room environment.

33 18. Machinery and equipment that are used directly in the feeding of
34 poultry, the environmental control of housing for poultry, the movement of
35 eggs within a production and packaging facility or the sorting or cooling of
36 eggs. This exemption does not apply to vehicles used for transporting eggs.

37 19. Machinery or equipment, including related structural components,
38 that is employed in connection with manufacturing, processing, fabricating,
39 job printing, refining, mining, natural gas pipelines, metallurgical
40 operations, telecommunications, producing or transmitting electricity or
41 research and development and that is used directly to meet or exceed rules
42 or regulations adopted by the federal energy regulatory commission, the
43 United States environmental protection agency, the United States nuclear
44 regulatory commission, the Arizona department of environmental quality or a

1 political subdivision of this state to prevent, monitor, control or reduce
2 land, water or air pollution.

3 20. Machinery and equipment that are used in the commercial production
4 of livestock, livestock products or agricultural, horticultural, viticultural
5 or floricultural crops or products in this state and that are used directly
6 and primarily to prevent, monitor, control or reduce air, water or land
7 pollution.

8 21. Machinery or equipment that enables a television station to
9 originate and broadcast or to receive and broadcast digital television
10 signals and that was purchased to facilitate compliance with the
11 telecommunications act of 1996 (P.L. 104-104; 110 Stat. 56; 47 United States
12 Code section 336) and the federal communications commission order issued
13 April 21, 1997 (47 Code of Federal Regulations part 73). This paragraph does
14 not exempt any of the following:

15 (a) Repair or replacement parts purchased for the machinery or
16 equipment described in this paragraph.

17 (b) Machinery or equipment purchased to replace machinery or equipment
18 for which an exemption was previously claimed and taken under this paragraph.

19 (c) Any machinery or equipment purchased after the television station
20 has ceased analog broadcasting, or purchased after November 1, 2009,
21 whichever occurs first.

22 C. The exemptions provided by subsection B of this section do not
23 include:

24 1. Expendable materials. For purposes of this paragraph, expendable
25 materials do not include any of the categories of tangible personal property
26 specified in subsection B of this section regardless of the cost or useful
27 life of that property.

28 2. Janitorial equipment and hand tools.

29 3. Office equipment, furniture and supplies.

30 4. Tangible personal property used in selling or distributing
31 activities, other than the telecommunications transmissions described in
32 subsection B, paragraph 16 of this section.

33 5. Motor vehicles required to be licensed by this state, except buses
34 or other urban mass transit vehicles specifically exempted pursuant to
35 subsection B, paragraph 11 of this section, without regard to the use of such
36 motor vehicles.

37 6. Shops, buildings, docks, depots and all other materials of whatever
38 kind or character not specifically included as exempt.

39 7. Motors and pumps used in drip irrigation systems.

40 D. The following shall be deducted in computing the purchase price of
41 electricity by a retail electric customer from a utility business:

42 1. Revenues received from sales of ancillary services, electric
43 distribution services, electric generation services, electric transmission
44 services and other services related to providing electricity to a retail

1 electric customer who is located outside this state for use outside this
2 state if the electricity is delivered to a point of sale outside this state.

3 2. Revenues received from providing electricity, including ancillary
4 services, electric distribution services, electric generation services,
5 electric transmission services and other services related to providing
6 electricity with respect to which the transaction privilege tax imposed under
7 section 42-5063 has been paid.

8 E. The tax levied by this article does not apply to:

9 1. The storage, use or consumption in Arizona of machinery, equipment,
10 materials or other tangible personal property if used directly and
11 predominantly to construct a qualified environmental technology
12 manufacturing, producing or processing facility, as described in section
13 41-1514.02. This paragraph applies for ten full consecutive calendar or
14 fiscal years after the start of initial construction.

15 2. The purchase of electricity by a qualified environmental technology
16 manufacturer, producer or processor as defined in section 41-1514.02 that is
17 used directly in environmental technology manufacturing, producing or
18 processing. This paragraph shall apply for fifteen full consecutive calendar
19 or fiscal years from the date the first paper manufacturing machine is placed
20 in service. In the case of an environmental technology manufacturer,
21 producer or processor who does not manufacture paper, the time period shall
22 begin with the date the first manufacturing, processing or production
23 equipment is placed in service.

24 F. The following shall be deducted in computing the purchase price of
25 electricity by a retail electric customer from a utility business:

26 1. Fees charged by a municipally owned utility to persons constructing
27 residential, commercial or industrial developments or connecting residential,
28 commercial or industrial developments to a municipal utility system or
29 systems if the fees are segregated and used only for capital expansion,
30 system enlargement or debt service of the utility system or systems.

31 2. Reimbursement or contribution compensation to any person or persons
32 owning a utility system for property and equipment installed to provide
33 utility access to, on or across the land of an actual utility consumer if the
34 property and equipment become the property of the utility. This deduction
35 shall not exceed the value of such property and equipment.

36 G. For the purposes of subsection B of this section:

37 1. "Aircraft" includes:

38 (a) An airplane flight simulator that is approved by the federal
39 aviation administration for use as a phase II or higher flight simulator
40 under appendix H, 14 Code of Federal Regulations part 121.

41 (b) Tangible personal property that is permanently affixed or attached
42 as a component part of an aircraft that is owned or operated by a
43 certificated or licensed carrier of persons or property.

2. "Other accessories and related equipment" includes aircraft accessories and equipment such as ground service equipment that physically contact aircraft at some point during the overall carrier operation.

H. For purposes of subsection D of this section, "ancillary services", "electric distribution service", "electric generation service", "electric transmission service" and "other services" have the same meanings prescribed by section 42-5063.

Sec. 15. Section 42-6004, Arizona Revised Statutes, is amended to read:

42-6004. Exemption from municipal tax

A. A city, town or special taxing district shall not levy a transaction privilege, sales, use or other similar tax on:

1. Exhibition events in this state sponsored, conducted or operated by a nonprofit organization that is exempt from taxation under section 501(c)(3), 501(c)(4) or 501(c)(6) of the internal revenue code if the organization is associated with a major league baseball team or a national touring professional golfing association and no part of the organization's net earnings inures to the benefit of any private shareholder or individual.

2. Interstate telecommunications services, which include that portion of telecommunications services, such as subscriber line service, allocable by federal law to interstate telecommunications service.

3. Sales of warranty or service contracts.

4. Sales of motor vehicles to nonresidents of this state for use outside this state if the vendor ships or delivers the motor vehicle to a destination outside this state.

5. Interest on finance contracts.

6. Dealer documentation fees on the sales of motor vehicles.

7. The gross proceeds of sales or gross income received from a contract from constructing any lake facility development in a commercial enhancement reuse district established pursuant to section 9-499.08.

8. Sales of food or other items purchased with United States department of agriculture food stamp coupons issued under the food stamp act of 1977 (P.L. 95-113; 91 Stat. 958) or food instruments issued under section 17 of the child nutrition act (P.L. 95-627; 92 Stat. 3603; P.L. 99-661, section 4302; 42 United States Code section 1786) but may impose such a tax on other sales of food. If a city, town or special taxing district exempts sales of food from its tax or imposes a different transaction privilege rate on the gross proceeds of sales or gross income from sales of food and nonfood items, it shall use the definition of food prescribed by rule adopted by the department pursuant to section 42-5106.

~~9. Sales of motor vehicles that use alternative fuel as defined in section 1-215.~~

~~10.~~ 9. Sales of internet access services to the person's subscribers and customers. For the purposes of this paragraph:

1 (a) "Internet" means the computer and telecommunications facilities
2 that comprise the interconnected worldwide network of networks that employ
3 the transmission control protocol or internet protocol, or any predecessor
4 or successor protocol, to communicate information of all kinds by wire or
5 radio.

6 (b) "Internet access" means a service that enables users to access
7 content, information, electronic mail or other services over the internet.
8 Internet access does not include telecommunication services provided by a
9 common carrier.

10 B. A city, town or other taxing jurisdiction shall not levy a
11 transaction privilege, sales, use, franchise or other similar tax or fee,
12 however denominated, on:

13 1. natural gas or liquefied petroleum gas used to propel a motor
14 vehicle.

15 ~~2. Any business activity conducted at or tangible personal property~~
16 ~~purchased, leased or rented by any qualified theme park, themed amusement~~
17 ~~park or other nonathletic entertainment facility that is subject to taxation~~
18 ~~under article 4 of this chapter.~~

19 C. A city, town or other taxing jurisdiction shall not levy a
20 transaction privilege, sales, gross receipts, use, franchise or other similar
21 tax or fee, however denominated, on gross proceeds of sales or gross income
22 derived from any of the following:

23 1. A motor carrier's use on the public highways in this state if the
24 motor carrier is subject to a fee prescribed in title 28, chapter 16,
25 article 4.

26 2. Leasing, renting or licensing a motor vehicle subject to and upon
27 which the fee has been paid under title 28, chapter 16, article 4.

28 3. The sale of a motor vehicle and any repair and replacement parts
29 and tangible personal property becoming a part of such motor vehicle to a
30 motor carrier who is subject to a fee prescribed in title 28, chapter 16,
31 article 4 and who is engaged in the business of leasing, renting or licensing
32 such property.

33 4. Incarcerating or detaining in a privately operated prison, jail or
34 detention facility prisoners who are under the jurisdiction of the United
35 States, this state or any other state or a political subdivision of this
36 state or of any other state.

37 5. Transporting for hire persons, freight or property by light motor
38 vehicles subject to a fee under title 28, chapter 15, article 4.

39 6. Except as provided in section 42-6104, a contract from constructing
40 any lake facility development in a commercial enhancement reuse district
41 established pursuant to section 9-499.08.

42 D. A city, town or other taxing jurisdiction shall not levy a
43 transaction privilege, sales, use, franchise or other similar tax or fee,
44 however denominated, in excess of one-tenth of one per cent of the value of
45 the entire product mined, smelted, extracted, refined, produced or prepared

1 for sale, profit or commercial use, on persons engaged in the business of
2 mineral processing, except to the extent that the tax is computed on the
3 gross proceeds or gross income from sales at retail.

4 E. In computing the tax base, any city, town or other taxing
5 jurisdiction shall not include in the gross proceeds of sales or gross
6 income:

7 1. A manufacturer's cash rebate on the sales price of a motor vehicle
8 if the buyer assigns the buyer's right in the rebate to the retailer.

9 2. The waste tire disposal fee imposed pursuant to section 44-1302.

10 Sec. 16. Section 43-1086, Arizona Revised Statutes, is amended to
11 read:

12 43-1086. Credit for alternative fuel vehicles; definitions

13 A. Except as provided in subsection ~~K~~ L of this section, for taxable
14 years ~~prescribed in subsection J of this section~~ ENDING ON OR BEFORE DECEMBER
15 31, 2001, a credit against taxes imposed by this title is allowed to each
16 taxpayer who applies for a grant pursuant to section 41-1516 unless the
17 vehicle is a neighborhood electric vehicle and who does any of the following:

18 1. Purchases or leases, ~~for a period of at least one year~~, one or more
19 new original equipment manufactured alternative fuel vehicles for use in this
20 state.

21 2. Incurs expenses during the taxable year for converting one or more
22 conventionally fueled vehicles for use in this state to operate on an
23 alternative fuel.

24 3. On or before June 30, 2000, purchases or leases, for a period of
25 at least one year, one or more used alternative fuel vehicles for use in this
26 state, except that a tax credit is not allowed pursuant to this section for
27 the purchase or lease of a used neighborhood electric vehicle that is
28 purchased or leased on or after January 1, 2000.

29 B. EXCEPT AS PROVIDED IN SUBSECTION M OF THIS SECTION, the amount of
30 the credit is equal to the following:

31 1. For a new low emission vehicle twelve thousand pounds or less gross
32 vehicle weight, THE GREATEST OF THE FOLLOWING:

33 (a) Thirty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE
34 OF THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF
35 THE VEHICLE, WHICHEVER IS LESS.

36 (b) Five thousand dollars, ~~whichever is more~~.

37 2. For a used low emission vehicle twelve thousand pounds or less
38 gross vehicle weight, fifteen per cent of the cost or two thousand five
39 hundred dollars, whichever is more.

40 3. For a new ultralow or inherently low emission vehicle, THE GREATEST
41 OF THE FOLLOWING:

42 (a) Forty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE OF
43 THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF THE
44 VEHICLE, WHICHEVER IS LESS.

45 (b) Seven thousand five hundred dollars, ~~whichever is more~~.

1 4. For a used ultralow or inherently low emission vehicle, twenty per
2 cent of the cost or three thousand seven hundred fifty dollars, whichever is
3 more.

4 5. For a new zero or super ultralow emission vehicle, THE GREATEST OF
5 THE FOLLOWING:

6 (a) Fifty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE OF
7 THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF THE
8 VEHICLE, WHICHEVER IS LESS.

9 (b) Ten thousand dollars, ~~whichever is more.~~

10 6. For a used zero emission vehicle:

11 (a) That is purchased, twenty-five per cent of the cost or five
12 thousand dollars, whichever is more.

13 (b) That is leased, twenty-five per cent of the cost or two thousand
14 five hundred dollars, whichever is more.

15 7. For a new low emission vehicle over twelve thousand pounds gross
16 vehicle weight, THE GREATEST OF THE FOLLOWING:

17 (a) Thirty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE
18 OF THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF
19 THE VEHICLE, WHICHEVER IS LESS. THE MANUFACTURER'S BASE RETAIL PRICE AND THE
20 ACTUAL PURCHASE PRICE DO NOT INCLUDE ANY ATTACHMENT NOT ASSOCIATED WITH THE
21 OPERATION OF THE VEHICLE.

22 (b) Thirty thousand dollars, ~~whichever is more.~~

23 8. For a used low emission vehicle over twelve thousand pounds gross
24 vehicle weight, fifteen per cent of the cost, EXCLUDING ANY ATTACHMENT NOT
25 ASSOCIATED WITH THE OPERATION OF THE VEHICLE, or fifteen thousand dollars,
26 whichever is more.

27 9. For conversion of a vehicle over twelve thousand pounds gross
28 vehicle weight, the greatest of the following:

29 ~~(a) Thirty per cent of the actual price of the vehicle plus the cost~~
30 ~~of conversion.~~

31 ~~(b)~~ (a) Thirty per cent of the original manufacturer's base retail
32 price of the vehicle, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE
33 PRICE OF THE VEHICLE, WHICHEVER IS LESS. THE MANUFACTURER'S BASE RETAIL PRICE
34 AND THE ACTUAL PURCHASE PRICE DO NOT INCLUDE ANY ATTACHMENT NOT ASSOCIATED
35 WITH THE OPERATION OF THE VEHICLE.

36 ~~(c)~~ (b) Thirty thousand dollars.

37 10. For purchase of a converted vehicle over twelve thousand pounds
38 gross vehicle weight, fifteen per cent of the cost or fifteen thousand
39 dollars, whichever is more.

40 11. For conversion of any other vehicle the greatest of the following:

41 ~~(a) Thirty per cent of the actual purchase price of the vehicle plus~~
42 ~~the cost of conversion.~~

43 ~~(b)~~ (a) Thirty per cent of the original manufacturer's base retail
44 price of the vehicle, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE
45 PRICE OF THE VEHICLE, WHICHEVER IS LESS.

1 ~~(c)~~ (b) Five thousand dollars.

2 ~~(d)~~ (c) The amount of the tax credit prescribed in paragraph 3 or 4
3 of this subsection if the taxpayer can demonstrate that the converted vehicle
4 qualifies as an ultralow or inherently low emission vehicle.

5 ~~(e)~~ (d) The amount of the tax credit prescribed in paragraph 5 or
6 paragraph 6, subdivision (a) of this subsection if the taxpayer can
7 demonstrate that the converted vehicle qualifies as a zero or super ultralow
8 emission vehicle.

9 12. For purchase of any other converted vehicle, fifteen per cent of
10 the cost or two thousand five hundred dollars, whichever is more.

11 13. Notwithstanding any other paragraph of this subsection, for a new
12 neighborhood electric vehicle that is purchased on or after July 1, 2000,
13 fifty per cent of the cost of the vehicle or one thousand dollars, whichever
14 is more. In order to qualify for a tax credit pursuant to this paragraph,
15 a taxpayer shall certify on forms provided by the department that the vehicle
16 has not been, and will not be, used on a golf course, except for use as a
17 maintenance vehicle for a golf course. If a tax credit is taken for a
18 vehicle pursuant to this paragraph and the vehicle is used on a golf course
19 other than as a maintenance vehicle, the tax credit is subject to recapture
20 by the department, and the taxpayer is subject to a civil penalty of one
21 thousand dollars. Civil penalties collected pursuant to this paragraph shall
22 be deposited in the Arizona clean air fund established by section 41-1516.

23 14. NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBSECTION, FOR A USED
24 CONVENTIONALLY FUELED VEHICLE THAT IS CONVERTED TO OPERATE ON ALTERNATIVE
25 FUEL, THE COST OF CONVERSION.

26 C. Except as provided in subsection K- L of this section, a tax credit
27 is allowed pursuant to subsection B, paragraphs 1 through 8 and 13 of this
28 section only if the vehicle is certified to meet the United States
29 environmental protection agency emission standards for the particular type
30 of vehicle for which the credit is claimed as prescribed by 40 Code of
31 Federal Regulations section 88.104-94 or 88.105-94.

32 D. In order to qualify for a tax credit pursuant to subsection B,
33 paragraph 9 or 10 of this section, a motor home as defined in section 28-4301
34 that is converted to use liquefied petroleum gas shall have a fuel tank for
35 onboard storage of liquefied petroleum gas that holds at least thirty
36 gallons.

37 E. IN ORDER TO QUALIFY FOR A TAX CREDIT PURSUANT TO SUBSECTION B OF
38 THIS SECTION OR NOT BE SUBJECT TO RECAPTURE PURSUANT TO SUBSECTION N OF THIS
39 SECTION:

40 1. THE VEHICLE SHALL BE IN THE POSSESSION OF THE TAXPAYER BEFORE
41 DECEMBER 1, 2000 OR THE TAXPAYER SHALL HAVE PAID IN FULL FOR THE VEHICLE
42 BEFORE DECEMBER 1, 2000.

43 2. THE TAXPAYER SHALL NOT TRANSFER THE VEHICLE TO ANY PERSON OTHER
44 THAN A MEMBER OF THE TAXPAYER'S IMMEDIATE FAMILY OR A PERSON WHO RESIDES IN
45 THE SAME HOUSEHOLD AS THE TAXPAYER FOR THIRTY-SIX MONTHS AFTER THE INITIAL

1 REGISTRATION OF THE VEHICLE. THIS REQUIREMENT DOES NOT APPLY IF THE VEHICLE
2 IS DEMOLISHED OR THE TAXPAYER DIES BEFORE THE EXPIRATION OF THE THIRTY-SIX
3 MONTH PERIOD.

4 3. THE VEHICLE SHALL BE REGISTERED IN THIS STATE FOR AT LEAST
5 THIRTY-SIX MONTHS.

6 4. IF THE VEHICLE IS A BI-FUEL VEHICLE THAT OPERATES ON LIQUEFIED
7 PETROLEUM GAS, THE TAXPAYER SHALL PROVIDE EVIDENCE SATISFACTORY TO THE
8 DEPARTMENT THAT AT LEAST FIFTY PER CENT OF THE FUEL THE VEHICLE USES IS
9 ALTERNATIVE FUEL FOR THIRTY-SIX MONTHS, PRORATED BY ONE-TWELFTH FOR EACH
10 MONTH DURING THE INITIAL TAXABLE YEAR IN WHICH THE VEHICLE IS REGISTERED.

11 5. IF THE VEHICLE IS A BI-FUEL VEHICLE THAT OPERATES ON COMPRESSED
12 NATURAL GAS, THE TAXPAYER SHALL PROVIDE EVIDENCE SATISFACTORY TO THE
13 DEPARTMENT THAT THE VEHICLE USES THE FOLLOWING PERCENTAGES OF ALTERNATIVE
14 FUEL FOR THIRTY-SIX MONTHS:

15 (a) AT LEAST TWENTY-FIVE PER CENT OF THE FUEL THE VEHICLE USES IS
16 ALTERNATIVE FUEL FOR THE INITIAL TAXABLE YEAR, PRORATED BY ONE-TWELFTH FOR
17 EACH MONTH DURING THE INITIAL TAXABLE YEAR IN WHICH THE VEHICLE IS
18 REGISTERED.

19 (b) AT LEAST THIRTY-THREE AND ONE-THIRD PER CENT OF THE FUEL THE
20 VEHICLE USES IS ALTERNATIVE FUEL IN THE SECOND YEAR.

21 (c) AT LEAST FIFTY PER CENT OF THE FUEL THE VEHICLE USES IS
22 ALTERNATIVE FUEL IN THE THIRD YEAR.

23 6. THE VEHICLE COMPLIES WITH EMISSIONS INSPECTION REQUIREMENTS FOR
24 ALTERNATIVE FUEL VEHICLES PRESCRIBED IN TITLE 49, CHAPTER 3, ARTICLE 5.

25 F. IF A VEHICLE FAILS TO COMPLY WITH SUBSECTION E, PARAGRAPHS 2
26 THROUGH 6 OF THIS SECTION OR RULES ADOPTED BY THE DEPARTMENT PURSUANT TO
27 SUBSECTION E, PARAGRAPHS 2 THROUGH 6 OF THIS SECTION, THE DEPARTMENT SHALL
28 RECAPTURE THE TAX CREDIT PURSUANT TO SUBSECTION N OF THIS SECTION OR DISALLOW
29 THE TAX CREDIT FOR A TAXABLE YEAR. THE DIRECTOR MAY RELIEVE A TAXPAYER OF
30 REQUIREMENTS PRESCRIBED UNDER SUBSECTION E, PARAGRAPHS 2 THROUGH 6 OF THIS
31 SECTION IF BOTH OF THE FOLLOWING APPLY:

32 1. THE TAXPAYER IS UNABLE TO MEET THE REQUIREMENT DUE TO CIRCUMSTANCES
33 THAT WOULD MAKE THE REQUIREMENT UNFAIR OR INEQUITABLE TO THE PARTICULAR
34 TAXPAYER.

35 2. THE TAXPAYER ACTED IN GOOD FAITH AND THE TAXPAYER INTENDED TO
36 PRIMARILY PROPEL THE VEHICLE WITH ALTERNATIVE FUEL.

37 ~~E.~~ G. If the allowable tax credit exceeds the taxes due under this
38 title on the claimant's income, or if there are no taxes due under this
39 title, the following apply:

40 1. If the vehicle is not a neighborhood electric vehicle, the taxpayer
41 may elect either of the following:

42 (a) to be paid A REFUND IN the amount of the claim not used to offset
43 taxes under this title in the same manner as a refund granted under section
44 ~~42-1118~~ A SINGLE PAYMENT OR IN UP TO THREE ANNUAL INSTALLMENTS. Refunds made
45 pursuant to this subdivision PARAGRAPH are subject to setoff pursuant to

1 section 42-1122. IF THE TAXPAYER ELECTS TO BE PAID IN ANNUAL INSTALLMENTS,
2 THE TAXPAYER IS NOT ENTITLED TO RECEIVE INTEREST ON UNPAID INSTALLMENTS OF
3 THE CREDIT.

4 ~~(b) To use the amount as a credit to offset taxes under this title~~
5 ~~over ten consecutive taxable years in compliance with any statute of~~
6 ~~limitations provided in this title or title 42.~~

7 2. If the vehicle is a neighborhood electric vehicle, the amount of
8 the credit not used to offset taxes under this title may be carried forward
9 to the next five consecutive taxable years as a credit against subsequent
10 years' income tax liability.

11 ~~F.~~ H. Except as provided in subsection ~~K~~ L of this section, if a
12 person purchases an alternative fuel vehicle and then leases the vehicle to
13 another person, the lessor is not entitled to take a tax credit pursuant to
14 this section for the purchase of the vehicle but may claim a share of the tax
15 credit for the lease of the vehicle as provided in the lease agreement,
16 except that the total amount claimed by the lessor and lessee shall not be
17 more than the credit allowed pursuant to this section and a person who
18 purchases an alternative fuel vehicle and then leases the vehicle to a
19 governmental entity is entitled to take a tax credit pursuant to this section
20 for the purchase of the vehicle.

21 ~~G.~~ I. Except as provided in ~~subsection K~~ SUBSECTIONS L AND M of this
22 section, notwithstanding subsection B of this section and if the vehicle is
23 not a neighborhood electric vehicle:

24 1. If a person receives a grant pursuant to section 41-1516 for the
25 purchase of an alternative fuel vehicle or the conversion of a conventionally
26 fueled vehicle to operate on alternative fuel ~~on or before June 30, 2003~~, the
27 tax credit pursuant to this section shall only be for the incremental cost
28 of the purchase or conversion. THIS PARAGRAPH DOES NOT APPLY TO A USED
29 CONVENTIONALLY FUELED VEHICLE THAT IS CONVERTED TO OPERATE ON ALTERNATIVE
30 FUEL.

31 2. If the person applies for a grant pursuant to section 41-1516 ~~on~~
32 ~~or before June 30, 2003~~ and submits to the department of revenue an affidavit
33 issued by the department of commerce stating that monies are not available
34 in the Arizona clean air fund for grants, that the person would qualify for
35 a grant if monies were available in the fund and that the person is eligible
36 for a tax credit pursuant to this section or section 43-1174, the person is
37 eligible for a tax credit in the amount prescribed in this section plus the
38 incremental cost of the purchase or conversion. THIS PARAGRAPH DOES NOT
39 APPLY TO A USED CONVENTIONALLY FUELED VEHICLE THAT IS CONVERTED TO OPERATE
40 ON ALTERNATIVE FUEL.

41 ~~3. If a person receives a grant pursuant to section 41-1516 for the~~
42 ~~purchase of an alternative fuel vehicle or for the conversion of a~~
43 ~~conventionally fueled vehicle to operate on alternative fuel on or after July~~
44 ~~1, 2003 through December 31, 2009, the person is not eligible for a tax~~
45 ~~credit pursuant to this section.~~

1 ~~H.~~ J. A husband and wife who file separate returns for a taxable year
2 in which they could have filed a joint return may each claim only one-half
3 of the tax credit that would have been allowed for a joint return.

4 ~~I.~~ K. Co-owners of a business, including partners in a partnership
5 and shareholders of an S corporation as defined in section 1361 of the
6 internal revenue code, may each claim only the pro rata share of the credit
7 allowed under this section based on the ownership interest. The total of the
8 credits allowed all such owners may not exceed the amount that would have
9 been allowed for a sole owner of the business.

10 ~~J.~~ Except as provided in subsection K of this section, tax credits are
11 allowed pursuant to this section through the taxable year ending on or before
12 December 31, 2009, except that tax credits are not allowed for purchases or
13 conversions that occur in a calendar year after the month in which the motor
14 vehicle division reports to the department that the number of new alternative
15 fuel vehicles, excluding neighborhood electric vehicles, vehicles registered
16 pursuant to section 28-2511 and commercial vehicles, newly registered in this
17 state in the current calendar year exceeds one per cent of the total number
18 of motor vehicles registered in this state in the previous calendar year. If
19 tax credits are not allowed in a calendar year based on a motor vehicle
20 division report pursuant to this subsection, the restriction only applies to
21 the remainder of that calendar year. On or before the fifteenth day of each
22 calendar month the motor vehicle division shall submit a report to the
23 department of revenue and the department of commerce energy office that
24 contains the number of new alternative fuel vehicles, excluding neighborhood
25 electric vehicles, vehicles registered pursuant to section 28-2511 and
26 commercial vehicles, newly registered in this state in the current calendar
27 year at the end of the previous month and whether that number exceeds one per
28 cent of the total number of motor vehicles registered in this state in the
29 previous calendar year. The motor vehicle division shall provide a copy of
30 this report to each motor vehicle dealer association in this state. The
31 motor vehicle division shall base the numbers of new alternative fuel
32 vehicles in these reports on manufacturers' certificates of origin.

33 ~~K.~~ L. The credit provided by this section is not allowed for any of
34 the following:

35 1. The purchase or lease of an alternative fuel vehicle that is made
36 pursuant to a contract or purchase order entered into during the period
37 beginning on OR AFTER October 20, 2000 through October 19, 2001.

38 2. The purchase or lease of an alternative fuel vehicle that is made
39 during the period beginning on OR AFTER October 20, 2000 through October 19,
40 2001 if the purchase or lease is not made pursuant to a contract or purchase
41 order entered into by the taxpayer before October 20, 2000.

42 3. Any expense incurred for conversion of a conventionally fueled
43 vehicle to operate on alternative fuel that is made pursuant to a contract
44 or purchase order entered into during the period beginning on OR AFTER
45 October 20, 2000 through October 19, 2001.

1 4. Any expense incurred for conversion of a conventionally fueled
2 vehicle to operate on alternative fuel ~~during the period beginning on OR~~
3 ~~AFTER October 20, 2000 through October 19, 2001~~ if the expense is not
4 incurred pursuant to a contract or purchase order entered into by the
5 taxpayer before October 20, 2000.

6 M. THE TOTAL AMOUNT OF A TAX CREDIT ALLOWED PURSUANT TO THIS SECTION
7 OR THE TOTAL AMOUNT OF A TAX CREDIT ALLOWED PURSUANT TO THIS SECTION PLUS THE
8 AMOUNT OF ANY GRANT PROVIDED PURSUANT TO SECTION 41-1516 SHALL NOT BE MORE
9 THAN THE AMOUNT THE TAXPAYER ACTUALLY PAID FOR THE VEHICLE.

10 N. THE DEPARTMENT SHALL CALCULATE ANY RECAPTURE AMOUNT BY MULTIPLYING
11 THE TAX CREDIT BY THE FOLLOWING PERCENTAGES:

12 1. ONE HUNDRED PER CENT IF THE DATE OF THE EVENT THAT CAUSES RECAPTURE
13 IS WITHIN THE FIRST FULL YEAR AFTER THE DATE THE VEHICLE WAS PLACED IN
14 SERVICE.

15 2. SIXTY-SIX AND TWO-THIRDS PER CENT IF THE DATE OF THE EVENT THAT
16 CAUSES RECAPTURE IS WITHIN THE SECOND FULL YEAR AFTER THE DATE THE VEHICLE
17 WAS PLACED IN SERVICE.

18 3. THIRTY-THREE AND ONE-THIRD PER CENT IF THE DATE OF THE EVENT THAT
19 CAUSES RECAPTURE IS WITHIN THE THIRD FULL YEAR AFTER THE DATE THE VEHICLE WAS
20 PLACED IN SERVICE.

21 O. SECTION 42-2059 DOES NOT APPLY TO COMPLIANCE REVIEW PURSUANT TO
22 SUBSECTION E OF THIS SECTION.

23 ~~P.~~ P. For purposes of this section:

24 1. "Alternative fuel" has the same meaning prescribed in section
25 1-215.

26 2. "Alternative fuel vehicle":

27 (a) Means a self-propelled vehicle that is registered and titled in
28 this state for operation on the highways and that is primarily propelled by
29 an alternative fuel.

30 (b) Includes neighborhood electric vehicles, bi-fuel vehicles and
31 dedicated vehicles.

32 (c) Does not include ~~such vehicles as~~ ANY OF THE FOLLOWING:

33 (i) A golf cart as defined in section 28-101 unless the golf cart
34 qualifies as a neighborhood electric vehicle. ~~—~~

35 (ii) A motorcycle, a motor driven cycle, a moped or an implement of
36 husbandry as defined in section 28-101. ~~—~~

37 (iii) A motorized wheelchair as defined in section 28-601. ~~—~~

38 (iv) An electric bicycle. ~~or~~

39 (v) A vehicle, such as a forklift, that is not designed primarily for
40 operation on highways.

41 (d) If the vehicle is powered by electricity, may include an onboard
42 auxiliary motor that is designed and used to recharge batteries.

43 3. "Bi-fuel vehicle" means a vehicle that is capable of operating on
44 both gasoline or an alternative fuel but does not include a vehicle that is
45 capable of operating on a mixture of two or more fuel types.

4. "Dedicated vehicle" means a vehicle that is capable of operating only on a single alternative fuel.

5. "GROSS VEHICLE WEIGHT" MEANS THE SHIPPING WEIGHT OF THE VEHICLE ISSUED BY THE PRIMARY MANUFACTURER.

~~5-~~ 6. "Incremental cost" means the amount by which the cost of an alternative fuel vehicle exceeds the cost of the same model of conventionally fueled vehicle that is similarly equipped and for a zero emission vehicle is assumed to be ten thousand dollars or twenty-five per cent of the cost, whichever is more.

7. "MANUFACTURER'S BASE RETAIL PRICE" MEANS THE LOWEST SUGGESTED RETAIL PRICE OF THE MAKE AND MODEL OF A NEW MOTOR VEHICLE SUGGESTED BY THE MANUFACTURER, EXCLUDING ANY AMOUNT PAID FOR AN ITEM INSTALLED IN THE VEHICLE THAT WAS NOT IDENTIFIED IN THE DEALER'S WHOLESALE INVOICE RECEIVED FROM THE VEHICLE MANUFACTURER AND THAT DOES NOT IMPROVE AIR QUALITY IN THIS STATE.

6- 8. "Neighborhood electric vehicle" means a motor vehicle that has alternative fuel vehicle special plates or an alternative fuel vehicle sticker issued pursuant to section 28-2416 and that meets the standards prescribed in 49 Code of Federal Regulations section 571.500, except that, if a vehicle is designed to be operated at speeds of twenty miles per hour or less, the vehicle is not required to have a seventeen digit vehicle identification number.

9. "NEW" MEANS THE VEHICLE WAS NEVER REGISTERED AND TITLED ANYWHERE BEFORE ITS CONVERSION TO OPERATE ON ALTERNATIVE FUEL.

10. "USED" MEANS ANY VEHICLE OTHER THAN A NEW VEHICLE.

Sec. 17. Section 43-1086.01, Arizona Revised Statutes, is amended to read:

43-1086.01. Credit for vehicle refueling apparatus and infrastructure; definition

A. Except as provided in subsection SUBSECTIONS F AND H of this section, for taxable years beginning after December 31, 1998, a credit against taxes imposed pursuant to this title is allowed to each taxpayer who purchases a vehicle refueling apparatus, including storage tanks, for installation on one or more properties located in this state for the taxpayer's use. The amount of the tax credit for each vehicle refueling apparatus is the cost of the vehicle refueling apparatus.

B. Except as provided in subsection SUBSECTIONS F AND H of this section, for taxable years beginning after December 31, 1998, a credit against taxes imposed pursuant to this title is allowed to each taxpayer who installs any infrastructure necessary for operation of a vehicle refueling apparatus purchased for installation on the taxpayer's property located in this state as provided in subsection A of this section, including gas or electric infrastructure from the closest main or transformer but not more than one hundred feet. The amount of the tax credit for installation of infrastructure is the cost of the installation of the infrastructure.

1 C. If the allowable tax credit exceeds the taxes due under this title
2 on the claimant's income, or if there are no taxes due under this title, the
3 taxpayer may elect either of the following:

4 1. to be paid A REFUND IN the amount of the claim not used to offset
5 taxes under this title in the same manner as a refund granted under section
6 ~~42-1118~~ A SINGLE PAYMENT OR IN UP TO THREE ANNUAL INSTALLMENTS. Refunds made
7 pursuant to this paragraph SUBSECTION are subject to setoff pursuant to
8 section 42-1122. IF THE TAXPAYER ELECTS TO BE PAID IN ANNUAL INSTALLMENTS,
9 THE TAXPAYER IS NOT ENTITLED TO RECEIVE INTEREST ON UNPAID INSTALLMENTS OF
10 THE CREDIT.

11 2. ~~To use the amount as a credit to offset taxes under this title over~~
12 ~~ten consecutive taxable years in compliance with any statute of limitations~~
13 ~~provided in this title or title 42.~~

14 D. A husband and wife who file separate returns for a taxable year in
15 which they could have filed a joint return may each claim only one-half of
16 the tax credit that would have been allowed for a joint return.

17 E. Co-owners of a business, including partners in a partnership and
18 shareholders of an S corporation, as defined in section 1361 of the internal
19 revenue code, may each claim only the pro rata share of the credit allowed
20 under this section based on the ownership interest. The total of the credits
21 allowed all such owners may not exceed the amount that would have been
22 allowed for a sole owner of the business.

23 F. The credit provided by this section is not allowed for any of the
24 following:

25 1. The purchase of a vehicle refueling apparatus, including storage
26 tanks, that is made pursuant to a contract or purchase order entered into
27 ~~during the period beginning on OR AFTER October 20, 2000 through October 19,~~
28 ~~2001.~~

29 2. The purchase of a vehicle refueling apparatus, including storage
30 tanks, that is made ~~during the period beginning on OR AFTER October 20, 2000~~
31 ~~through October 19, 2001~~ if the purchase is not made pursuant to a contract
32 or purchase order entered into by the taxpayer before October 20, 2000.

33 3. Any installation of ~~infrastructure~~ INFRASTRUCTURE necessary for the
34 operation of a vehicle refueling apparatus that is made pursuant to a
35 contract or purchase order entered into ~~during the period beginning on OR~~
36 ~~AFTER October 20, 2000 through October 19, 2001.~~

37 4. Any installation of ~~infrastructure~~ INFRASTRUCTURE necessary for the
38 operation of a vehicle refueling apparatus that is made ~~during the period~~
39 ~~beginning on OR AFTER October 20, 2000 through October 19, 2001~~ if the
40 installation is not made pursuant to a contract or purchase order entered
41 into by the taxpayer before October 20, 2000.

42 G. No later than November 13, 2000, each person who sells or installs
43 vehicle refueling apparatuses, including storage tanks, shall provide
44 information to the department of commerce, in a form determined by the
45 department of commerce in consultation with the department of revenue, that

1 is necessary to administer this program and to determine the full extent to
2 which taxpayers are potentially eligible for tax credits pursuant to this
3 section. The information shall include all purchases and installations
4 described in subsection F of this section on or after January 1, 2000 through
5 October 19, 2000 but shall not include any cancellations that occur before
6 November 13, 2000. The department of commerce shall send a notice to each
7 person known to the department to be required to provide information pursuant
8 to this subsection. The department of commerce and the department of revenue
9 shall keep confidential any social security numbers, other assigned taxpayer
10 identification numbers or telephone numbers provided in the information
11 required pursuant to this section. For the purposes of this subsection, the
12 department of commerce is exempt from the rule making requirements of title
13 41, chapter 6.

14 H. A TAX CREDIT IS ALLOWED PURSUANT TO THIS SECTION ONLY IF THE
15 VEHICLE REFUELING APPARATUS IS INSTALLED ON OR BEFORE DECEMBER 31, 2000 OR
16 THE TAXPAYER HAS PAID IN FULL FOR THE VEHICLE REFUELING APPARATUS BEFORE
17 NOVEMBER 9, 2000.

18 I. SECTION 42-2059 DOES NOT APPLY TO COMPLIANCE REVIEW PURSUANT TO
19 THIS SECTION.

20 ~~H.~~ J. For the purposes of this section, "vehicle refueling apparatus"
21 means any of the following:

22 1. A maximum ten to fifteen standard cubic feet per minute natural gas
23 compression appliance used for slow fill, on-site refueling.

24 2. Equipment necessary to provide an electric charge for an electric
25 vehicle, excluding wall sockets and extension cords.

26 3. Tanks used to store liquefied petroleum gas.

27 Sec. 18. Section 43-1086.02, Arizona Revised Statutes, is amended to
28 read:

29 43-1086.02. Credit for alternative fuel delivery systems:
30 definitions

31 A. Except as provided in subsection I of this section, for taxable
32 years beginning after December 31, 1997, a credit against taxes imposed by
33 this title is allowed to each taxpayer who incurs construction costs or
34 operating costs during the taxable year for constructing or operating an
35 alternative fuel delivery system in this state that is capable of dispensing
36 an alternative fuel to an alternative fuel vehicle. A TAX CREDIT IS ALLOWED
37 PURSUANT TO THIS SECTION ONLY FOR CONSTRUCTION OR OPERATING COSTS OF AN
38 ALTERNATIVE FUEL DELIVERY SYSTEM IF A CONTRACT FOR CONSTRUCTION WAS ENTERED
39 INTO BEFORE OCTOBER 20, 2000 AND CONSTRUCTION ACTUALLY BEGAN BEFORE NOVEMBER
40 9, 2000. A CREDIT FOR OPERATING COSTS SHALL NOT BE ALLOWED AFTER NOVEMBER
41 9, 2000.

42 B. The amount of the credit is equal to the following:

43 1. For an alternative fuel delivery system that is accessible to the
44 general public or for an alternative fuel delivery system that is dispensing
45 a renewable fuel, one hundred per cent of the costs incurred up to a maximum

1 of four hundred thousand dollars. A taxpayer may take a credit pursuant to
2 this paragraph for each variation of alternative fuel type dispensed through
3 the alternative fuel delivery system.

4 2. For an alternative fuel delivery system that does not satisfy
5 paragraph 1 of this subsection, fifty per cent of the costs incurred up to
6 a maximum of two hundred thousand dollars. A taxpayer may take a credit
7 pursuant to this paragraph for each variation of alternative fuel type
8 dispensed through the alternative fuel delivery system.

9 C. If the allowable tax credit exceeds the taxes due under this title
10 on the claimant's income, or if there are no taxes due under this title, the
11 taxpayer may elect ~~either of the following:~~

12 1. ~~to be paid A REFUND IN the amount of the claim not used to offset~~
13 ~~taxes under this title in the same manner as a refund granted under section~~
14 ~~42-1118 A SINGLE PAYMENT OR IN UP TO THREE ANNUAL INSTALLMENTS. Refunds made~~
15 ~~pursuant to this paragraph SUBSECTION are subject to setoff pursuant to~~
16 ~~section 42-1122. IF THE TAXPAYER ELECTS TO BE PAID IN ANNUAL INSTALLMENTS,~~
17 ~~THE TAXPAYER IS NOT ENTITLED TO INTEREST ON UNPAID INSTALLMENTS OF THE~~
18 ~~CREDIT.~~

19 2. ~~To use the amount as a credit to offset taxes under this title over~~
20 ~~ten consecutive taxable years in compliance with any statute of limitations~~
21 ~~provided in this title or title 42.~~

22 D. If a tax credit is allowed pursuant to this section for an
23 alternative fuel delivery system located at a fueling station, the price of
24 the alternative fuel sold from the alternative fuel delivery system shall be
25 included on the standardized sign that contains the price of other fuels sold
26 at the fueling station. The department of commerce energy office shall
27 design these signs, including the alternative fuel logo for these signs.
28 Notwithstanding any other law and because the legislature finds it a matter
29 of statewide concern, these signs shall be uniform throughout the state and
30 local ordinances, rules or laws are preempted for design, placement, size,
31 type and height.

32 E. A husband and wife who file separate returns for a taxable year in
33 which they could have filed a joint return may each claim only one-half of
34 the tax credit that would have been allowed for a joint return.

35 F. If the taxpayer enters into a lease agreement for the alternative
36 fuel delivery system, the lessor may claim a share of the tax credit allowed
37 under this section as provided in the lease agreement, except that the total
38 amount claimed by the lessor and lessee shall not be more than the tax credit
39 allowed under this section.

40 G. Co-owners of a business, including partners in a partnership and
41 shareholders of an S corporation as defined in section 1361 of the internal
42 revenue code, may each claim only the pro rata share of the credit allowed
43 under this section based on the ownership interest. The total of the credits
44 allowed all such owners may not exceed the amount that would have been
45 allowed for a sole owner of the business.

1 H. A person who receives a grant pursuant to section 41-1516 is not
2 eligible to claim a credit pursuant to this section for the amount of the
3 grant. Except as provided in subsection I of this section, if the cost of
4 the alternative fuel delivery system exceeds the amount of the grant, a
5 person may claim a credit for the amount in excess of the amount of the grant
6 not to exceed the limits imposed by this section.

7 I. The credit provided by this section is not allowed for either:

8 1. Construction costs or operating costs of an alternative fuel
9 delivery system that are made pursuant to a contract entered into ~~during the~~
10 ~~period beginning on OR AFTER October 20, 2000 through October 19, 2001.~~

11 2. Construction costs or operating costs of an alternative fuel
12 delivery system that are incurred ~~during the period beginning on OR AFTER~~
13 ~~October 20, 2000 through October 19, 2001~~ if the costs are not incurred
14 pursuant to a contract entered into by the taxpayer before October 20, 2000.

15 J. No later than November 13, 2000, each person who provides
16 construction or operating services to alternative fuel delivery systems shall
17 provide information to the department of commerce, in a form determined by
18 the department of commerce in consultation with the department of revenue,
19 that is necessary to administer this program and to determine the full extent
20 to which taxpayers are potentially eligible for tax credits pursuant to this
21 section. The information shall include all costs described in subsection I
22 of this section on or after January 1, 2000 through October 19, 2000 but
23 shall not include any cancellations that occur before November 13, 2000. The
24 department of commerce shall send a notice to each person known to the
25 department to be required to provide information pursuant to this subsection.
26 The department of commerce and the department of revenue shall keep
27 confidential any social security numbers, other assigned taxpayer
28 identification numbers or telephone numbers provided in the information
29 required pursuant to this section. For the purposes of this subsection, the
30 department of commerce is exempt from the rule making requirements of title
31 41, chapter 6.

32 K. SECTION 42-2059 DOES NOT APPLY TO COMPLIANCE REVIEW PURSUANT TO
33 THIS SECTION.

34 ~~K.~~ L. For the purposes of this section:

35 1. "Alternative fuel" has the same meaning prescribed in section
36 1-215.

37 2. "Alternative fuel delivery system" has the same meaning prescribed
38 in section 41-1516.

39 3. "Alternative fuel vehicle" has the same meaning prescribed in
40 section 43-1086.

41 4. "Construction costs" means those costs associated with the
42 construction of an alternative fuel delivery system.

43 5. "Operating costs" means those costs directly associated with the
44 dispensing of alternative fuel through an alternative fuel delivery system
45 plus a reasonable charge for overhead functions. Operating costs do not

1 include any expenses directly or indirectly associated with the dispensing
2 of gasoline or diesel fuel or the sale of items at retail not connected with
3 the dispensing of alternative fuels.

4 6. "Renewable fuel" means electricity or solar energy.

5 Sec. 19. Section 43-1174, Arizona Revised Statutes, is amended to
6 read:

7 43-1174. Credit for alternative fuel vehicles; definitions

8 A. Except as provided in subsection ~~J~~ K of this section, for taxable
9 years ~~prescribed in subsection I of this section~~ ENDING ON OR BEFORE DECEMBER
10 31, 2001, a credit against taxes imposed by this title is allowed to each
11 taxpayer who applies for a grant pursuant to section 41-1516 unless the
12 vehicle is a neighborhood electric vehicle and who does any of the following:

13 1. Purchases or leases, ~~for a period of at least one year~~, one or more
14 new original equipment manufactured alternative fuel vehicles for use in this
15 state.

16 2. Incurs expenses during the taxable year for converting one or more
17 conventionally fueled vehicles for use in this state to operate on an
18 alternative fuel.

19 3. On or before June 30, 2000, purchases or leases, for a period of
20 at least one year, one or more used alternative fuel vehicles for use in this
21 state, except that a tax credit is not allowed pursuant to this section for
22 the purchase or lease of a used neighborhood electric vehicle that is
23 purchased or leased on or after January 1, 2000.

24 B. EXCEPT AS PROVIDED IN SUBSECTION L OF THIS SECTION, the amount of
25 the credit is equal to the following:

26 1. For a new low emission vehicle twelve thousand pounds or less gross
27 vehicle weight, THE GREATEST OF THE FOLLOWING:

28 (a) Thirty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE
29 OF THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF
30 THE VEHICLE, WHICHEVER IS LESS.

31 (b) Five thousand dollars, ~~whichever is more~~.

32 2. For a used low emission vehicle twelve thousand pounds or less
33 gross vehicle weight, fifteen per cent of the cost or two thousand five
34 hundred dollars, whichever is more.

35 3. For a new ultralow or inherently low emission vehicle, THE GREATEST
36 OF THE FOLLOWING:

37 (a) Forty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE OF
38 THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF THE
39 VEHICLE, WHICHEVER IS LESS.

40 (b) Seven thousand five hundred dollars, ~~whichever is more~~.

41 4. For a used ultralow or inherently low emission vehicle, twenty per
42 cent of the cost or three thousand seven hundred fifty dollars, whichever is
43 more.

44 5. For a new zero or super ultralow emission vehicle, THE GREATEST OF
45 THE FOLLOWING:

- 1 (a) Fifty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE OF
2 THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF THE
3 VEHICLE, WHICHEVER IS LESS.
- 4 (b) Ten thousand dollars, ~~whichever is more.~~
- 5 6. For a used zero emission vehicle:
- 6 (a) That is purchased, twenty-five per cent of the cost or five
7 thousand dollars, whichever is more.
- 8 (b) That is leased, twenty-five per cent of the cost or two thousand
9 five hundred dollars, whichever is more.
- 10 7. For a new low emission vehicle over twelve thousand pounds gross
11 vehicle weight, THE GREATEST OF THE FOLLOWING:
- 12 (a) Thirty per cent of the ~~cost or~~ MANUFACTURER'S BASE RETAIL PRICE
13 OF THE VEHICLE, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE PRICE OF
14 THE VEHICLE, WHICHEVER IS LESS. THE MANUFACTURER'S BASE RETAIL PRICE AND THE
15 ACTUAL PRICE DO NOT INCLUDE ANY ATTACHMENT NOT ASSOCIATED WITH THE OPERATION
16 OF THE VEHICLE.
- 17 (b) Thirty thousand dollars, ~~whichever is more.~~
- 18 8. For a used low emission vehicle over twelve thousand pounds gross
19 vehicle weight, fifteen per cent of the cost, EXCLUDING ANY ATTACHMENT NOT
20 ASSOCIATED WITH THE OPERATION OF THE VEHICLE, or fifteen thousand dollars,
21 whichever is more.
- 22 9. For conversion of a vehicle over twelve thousand pounds gross
23 vehicle weight, the greatest of the following:
- 24 ~~(a) Thirty per cent of the actual price of the vehicle plus the cost~~
25 ~~of conversion.~~
- 26 ~~(b)~~ (a) Thirty per cent of the original manufacturer's base retail
27 price of the vehicle, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE
28 PRICE OF THE VEHICLE, WHICHEVER IS LESS. THE MANUFACTURER'S BASE RETAIL
29 PRICE AND THE ACTUAL PRICE DO NOT INCLUDE ANY ATTACHMENT NOT ASSOCIATED WITH
30 THE OPERATION OF THE VEHICLE.
- 31 ~~(c)~~ (b) Thirty thousand dollars.
- 32 10. For purchase of a converted vehicle over twelve thousand pounds
33 gross vehicle weight, fifteen per cent of the cost or fifteen thousand
34 dollars, whichever is more.
- 35 11. For conversion of any other vehicle the greatest of the following:
- 36 ~~(a) Thirty per cent of the actual purchase price of the vehicle plus~~
37 ~~the cost of conversion.~~
- 38 ~~(b)~~ (a) Thirty per cent of the original manufacturer's base retail
39 price of the vehicle, EXCLUDING INCREMENTAL COSTS, OR THE ACTUAL PURCHASE
40 PRICE OF THE VEHICLE, WHICHEVER IS LESS.
- 41 ~~(c)~~ (b) Five thousand dollars.
- 42 ~~(d)~~ (c) The amount of the tax credit prescribed in paragraph 3 or 4
43 of this subsection if the taxpayer can demonstrate that the converted vehicle
44 qualifies as an ultralow or inherently low emission vehicle.

1 ~~(e)~~ (d) The amount of the tax credit prescribed in paragraph 5 or
2 paragraph 6, subdivision (a) of this subsection if the taxpayer can
3 demonstrate that the converted vehicle qualifies as a zero or super ultralow
4 emission vehicle.

5 12. For purchase of any other converted vehicle, fifteen per cent of
6 the cost or two thousand five hundred dollars, whichever is more.

7 13. Notwithstanding any other paragraph of this subsection, for a new
8 neighborhood electric vehicle that is purchased on or after July 1, 2000,
9 fifty per cent of the cost of the vehicle or one thousand dollars, whichever
10 is more. In order to qualify for a tax credit pursuant to this paragraph,
11 a taxpayer shall certify on forms provided by the department that the vehicle
12 has not been, and will not be, used on a golf course, except for use as a
13 maintenance vehicle for a golf course. If a tax credit is taken for a
14 vehicle pursuant to this paragraph and the vehicle is used on a golf course
15 other than as a maintenance vehicle, the tax credit is subject to recapture
16 by the department, and the taxpayer is subject to a civil penalty of one
17 thousand dollars. Civil penalties collected pursuant to this paragraph shall
18 be deposited in the Arizona clean air fund established by section 41-1516.

19 14. NOTWITHSTANDING ANY OTHER PROVISION OF THIS SUBSECTION, FOR A USED
20 CONVENTIONALLY FUELED VEHICLE THAT IS CONVERTED TO OPERATE ON ALTERNATIVE
21 FUEL, THE COST OF CONVERSION.

22 C. Except as provided in subsection ~~J~~ K of this section, a tax credit
23 is allowed pursuant to subsection B, paragraphs 1 through 8 and 13 of this
24 section only if the vehicle is certified to meet the United States
25 environmental protection agency emission standards for the particular type
26 of vehicle for which the credit is claimed as prescribed by 40 Code of
27 Federal Regulations section 88.104-94 or 88.105-94.

28 D. In order to qualify for a tax credit pursuant to subsection B,
29 paragraph 9 or 10 of this section, a motor home as defined in section 28-4301
30 that is converted to use liquefied petroleum gas shall have a fuel tank for
31 onboard storage of liquefied petroleum gas that holds at least thirty
32 gallons.

33 E. IN ORDER TO QUALIFY FOR A TAX CREDIT PURSUANT TO SUBSECTION B OF
34 THIS SECTION OR NOT BE SUBJECT TO RECAPTURE PURSUANT TO SUBSECTION M OF THIS
35 SECTION:

36 1. THE VEHICLE SHALL BE IN THE POSSESSION OF THE TAXPAYER BEFORE
37 DECEMBER 1, 2000 OR THE TAXPAYER SHALL HAVE PAID IN FULL FOR THE VEHICLE
38 BEFORE DECEMBER 1, 2000.

39 2. THE TAXPAYER SHALL NOT TRANSFER THE VEHICLE TO ANY PERSON OTHER
40 THAN A MEMBER OF THE TAXPAYER'S IMMEDIATE FAMILY OR A PERSON WHO RESIDES IN
41 THE SAME HOUSEHOLD AS THE TAXPAYER FOR THIRTY-SIX MONTHS AFTER THE INITIAL
42 REGISTRATION OF THE VEHICLE. THIS REQUIREMENT DOES NOT APPLY IF THE VEHICLE
43 IS DEMOLISHED OR THE TAXPAYER DIES BEFORE THE EXPIRATION OF THE THIRTY-SIX
44 MONTH PERIOD.

1 3. THE VEHICLE SHALL BE REGISTERED IN THIS STATE FOR AT LEAST
2 THIRTY-SIX MONTHS.

3 4. IF THE VEHICLE IS A BI-FUEL VEHICLE THAT OPERATES ON LIQUEFIED
4 PETROLEUM GAS, THE TAXPAYER SHALL PROVIDE EVIDENCE SATISFACTORY TO THE
5 DEPARTMENT THAT AT LEAST FIFTY PER CENT OF THE FUEL THE VEHICLE USES IS
6 ALTERNATIVE FUEL FOR THIRTY-SIX MONTHS, PRORATED BY ONE-TWELFTH FOR EACH
7 MONTH DURING THE INITIAL TAXABLE YEAR IN WHICH THE VEHICLE IS REGISTERED.

8 5. IF THE VEHICLE IS A BI-FUEL VEHICLE THAT OPERATES ON COMPRESSED
9 NATURAL GAS, THE TAXPAYER SHALL PROVIDE EVIDENCE SATISFACTORY TO THE
10 DEPARTMENT THAT THE VEHICLE USES THE FOLLOWING PERCENTAGES OF ALTERNATIVE
11 FUEL FOR THIRTY-SIX MONTHS:

12 (a) AT LEAST TWENTY-FIVE PER CENT OF THE FUEL THE VEHICLE USES IS
13 ALTERNATIVE FUEL FOR THE INITIAL TAXABLE YEAR, PRORATED BY ONE-TWELFTH FOR
14 EACH MONTH DURING THE INITIAL TAXABLE YEAR IN WHICH THE VEHICLE IS
15 REGISTERED.

16 (b) AT LEAST THIRTY-THREE AND ONE-THIRD PER CENT OF THE FUEL THE
17 VEHICLE USES IS ALTERNATIVE FUEL IN THE SECOND YEAR.

18 (c) AT LEAST FIFTY PER CENT OF THE FUEL THE VEHICLE USES IS
19 ALTERNATIVE FUEL IN THE THIRD YEAR.

20 6. THE VEHICLE COMPLIES WITH EMISSIONS INSPECTION REQUIREMENTS FOR
21 ALTERNATIVE FUEL VEHICLES PRESCRIBED IN TITLE 49, CHAPTER 3, ARTICLE 5.

22 F. IF A VEHICLE FAILS TO COMPLY WITH SUBSECTION E, PARAGRAPHS 2
23 THROUGH 6 OF THIS SECTION OR RULES ADOPTED BY THE DEPARTMENT PURSUANT TO
24 SUBSECTION E, PARAGRAPHS 2 THROUGH 6 OF THIS SECTION, THE DEPARTMENT SHALL
25 RECAPTURE THE TAX CREDIT PURSUANT TO SUBSECTION M OF THIS SECTION OR DISALLOW
26 THE TAX CREDIT FOR A TAXABLE YEAR. THE DIRECTOR MAY RELIEVE A TAXPAYER OF
27 REQUIREMENTS PRESCRIBED UNDER SUBSECTION E, PARAGRAPHS 2 THROUGH 6 OF THIS
28 SECTION IF BOTH OF THE FOLLOWING APPLY:

29 1. THE TAXPAYER IS UNABLE TO MEET THE REQUIREMENT DUE TO CIRCUMSTANCES
30 THAT WOULD MAKE THE REQUIREMENT UNFAIR OR INEQUITABLE TO THE PARTICULAR
31 TAXPAYER.

32 2. THE TAXPAYER ACTED IN GOOD FAITH AND THE TAXPAYER INTENDED TO
33 PRIMARILY PROPEL THE VEHICLE WITH ALTERNATIVE FUEL.

34 ~~E.~~ G. If the allowable tax credit exceeds the taxes due under this
35 title on the claimant's income, or if there are no taxes due under this
36 title, the following apply:

37 1. If the vehicle is not a neighborhood electric vehicle, the taxpayer
38 may elect ~~either of the following:~~

39 ~~(a) to be paid A REFUND IN the amount of the claim not used to offset~~
40 ~~taxes under this title in the same manner as a refund granted under section~~
41 ~~42-1118 A SINGLE PAYMENT OR IN UP TO THREE ANNUAL INSTALLMENTS. Refunds made~~
42 ~~pursuant to this subdivision~~ PARAGRAPH are subject to setoff pursuant to
43 section 42-1122. IF THE TAXPAYER ELECTS TO BE PAID IN ANNUAL INSTALLMENTS,
44 THE TAXPAYER IS NOT ENTITLED TO RECEIVE INTEREST ON UNPAID INSTALLMENTS OF
45 THE CREDIT.

1 ~~(b) To use the amount as a credit to offset taxes under this title~~
2 ~~over ten consecutive taxable years in compliance with any statute of~~
3 ~~limitations provided in this title or title 42.~~

4 2. If the vehicle is a neighborhood electric vehicle, the amount of
5 the credit not used to offset taxes under this title may be carried forward
6 to the next five consecutive taxable years as a credit against subsequent
7 years' income tax liability.

8 ~~F.~~ H. Except as provided in subsection ~~J~~ K of this section, if a
9 person purchases an alternative fuel vehicle and then leases the vehicle to
10 another person, the lessor is not entitled to take a tax credit pursuant to
11 this section for the purchase of the vehicle but may claim a share of the tax
12 credit for the lease of the vehicle as provided in the lease agreement,
13 except that the total amount claimed by the lessor and lessee shall not be
14 more than the credit allowed pursuant to this section and a person who
15 purchases an alternative fuel vehicle and then leases the vehicle to a
16 governmental entity is entitled to take a tax credit pursuant to this section
17 for the purchase of the vehicle.

18 ~~G.~~ I. Except as provided in subsection ~~J~~ SUBSECTIONS K AND L of this
19 section, notwithstanding subsection B of this section and if the vehicle is
20 not a neighborhood electric vehicle:

21 1. If a person receives a grant pursuant to section 41-1516 for the
22 purchase of an alternative fuel vehicle or the conversion of a conventionally
23 fueled vehicle to operate on alternative fuel ~~on or before June 30, 2003~~, the
24 tax credit pursuant to this section shall only be for the incremental cost
25 of the purchase or conversion. THIS PARAGRAPH DOES NOT APPLY TO A USED
26 CONVENTIONALLY FUELED VEHICLE THAT IS CONVERTED TO OPERATE ON ALTERNATIVE
27 FUEL.

28 2. If the person applies for a grant pursuant to section 41-1516 ~~on~~
29 ~~or before June 30, 2003~~ and submits to the department of revenue an affidavit
30 issued by the department of commerce stating that monies are not available
31 in the Arizona clean air fund for grants, that the person would qualify for
32 a grant if monies were available in the fund and that the person is eligible
33 for a tax credit pursuant to this section or section 43-1086, the person is
34 eligible for a tax credit in the amount prescribed in this section plus the
35 incremental cost of the purchase or conversion. THIS PARAGRAPH DOES NOT
36 APPLY TO A USED CONVENTIONALLY FUELED VEHICLE THAT IS CONVERTED TO OPERATE
37 ON ALTERNATIVE FUEL.

38 ~~3. If a person receives a grant pursuant to section 41-1516 for the~~
39 ~~purchase of an alternative fuel vehicle or for the conversion of a~~
40 ~~conventionally fueled vehicle to operate on alternative fuel on or after July~~
41 ~~1, 2003 through December 31, 2009, the person is not eligible for a tax~~
42 ~~credit pursuant to this section.~~

43 H. J. Co-owners of a business, including corporate partners in a
44 partnership, may each claim only the pro rata share of the credit allowed
45 under this section based on the ownership interest. The total of the credits

1 allowed all such owners may not exceed the amount that would have been
2 allowed for a sole owner of the business.

3 ~~I. Except as provided in subsection J of this section, tax credits are~~
4 ~~allowed pursuant to this section through the taxable year ending on or before~~
5 ~~December 31, 2009, except that tax credits are not allowed for purchases or~~
6 ~~conversions that occur in a calendar year after the month in which the motor~~
7 ~~vehicle division reports to the department as provided in section 43-1086~~
8 ~~that the number of new alternative fuel vehicles, excluding neighborhood~~
9 ~~electric vehicles, vehicles registered pursuant to section 28-2511 and~~
10 ~~commercial vehicles, newly registered in this state in the current calendar~~
11 ~~year exceeds one per cent of the total number of motor vehicles registered~~
12 ~~in this state in the previous calendar year. If tax credits are not allowed~~
13 ~~in a calendar year based on a motor vehicle division report pursuant to~~
14 ~~section 43-1086, the restriction only applies to the remainder of that~~
15 ~~calendar year.~~

16 ~~J. K. The credit provided by this section is not allowed for any of~~
17 ~~the following:~~

18 1. The purchase or lease of an alternative fuel vehicle that is made
19 pursuant to a contract or purchase order entered into during the period
20 beginning on OR AFTER October 20, 2000 through October 19, 2001.

21 2. The purchase or lease of an alternative fuel vehicle that is made
22 during the period beginning on OR AFTER October 20, 2000 through October 19,
23 2001, if the purchase or lease is not made pursuant to a contract or purchase
24 order entered into by the taxpayer before October 20, 2000.

25 3. Any expense incurred for conversion of a conventionally fueled
26 vehicle to operate on alternative fuel that is made pursuant to a contract
27 or purchase order entered into during the period beginning on OR AFTER
28 October 20, 2000 through October 19, 2001.

29 4. Any expense incurred for conversion of a conventionally fueled
30 vehicle to operate on alternative fuel during the period beginning on OR
31 AFTER October 20, 2000 through October 19, 2001, if the expense is not
32 incurred pursuant to a contract or purchase order entered into by the
33 taxpayer before October 20, 2000.

34 L. THE TOTAL AMOUNT OF A TAX CREDIT ALLOWED PURSUANT TO THIS SECTION
35 OR THE TOTAL AMOUNT OF A TAX CREDIT ALLOWED PURSUANT TO THIS SECTION PLUS THE
36 AMOUNT OF ANY GRANT PROVIDED PURSUANT TO SECTION 41-1516 SHALL NOT BE MORE
37 THAN THE AMOUNT THE TAXPAYER ACTUALLY PAID FOR THE VEHICLE.

38 M. THE DEPARTMENT SHALL CALCULATE ANY RECAPTURE AMOUNT BY MULTIPLYING
39 THE TAX CREDIT BY THE FOLLOWING PERCENTAGES:

40 1. ONE HUNDRED PER CENT IF THE DATE OF THE EVENT THAT CAUSES RECAPTURE
41 IS WITHIN THE FIRST FULL YEAR AFTER THE DATE THE VEHICLE WAS PLACED IN
42 SERVICE.

43 2. SIXTY-SIX AND TWO-THIRDS PER CENT IF THE DATE OF THE EVENT THAT
44 CAUSES RECAPTURE IS WITHIN THE SECOND FULL YEAR AFTER THE DATE THE VEHICLE
45 WAS PLACED IN SERVICE.

1 3. THIRTY-THREE AND ONE-THIRD PER CENT IF THE DATE OF THE EVENT THAT
2 CAUSES RECAPTURE IS WITHIN THE THIRD FULL YEAR AFTER THE DATE THE VEHICLE WAS
3 PLACED IN SERVICE.

4 N. SECTION 42-2059 DOES NOT APPLY TO COMPLIANCE REVIEW PURSUANT TO
5 SUBSECTION E OF THIS SECTION.

6 ~~K.~~ O. For purposes of this section:

7 1. "Alternative fuel" has the same meaning prescribed in section
8 1-215.

9 2. "Alternative fuel vehicle", "BI-FUEL VEHICLE", "GROSS VEHICLE
10 WEIGHT", "incremental cost", and "MANUFACTURER'S BASE RETAIL PRICE",
11 "neighborhood electric vehicle", "NEW" AND "USED" have the same meaning
12 prescribed in section 43-1086.

13 Sec. 20. Section 43-1174.01, Arizona Revised Statutes, is amended to
14 read:

15 43-1174.01. Credit for vehicle refueling apparatus and
16 infrastructure; definition

17 A. Except as provided in ~~subsection~~ SUBSECTIONS E AND G of this
18 section, for taxable years beginning after December 31, 1998, a credit
19 against taxes imposed pursuant to this title is allowed to each taxpayer who
20 purchases a vehicle refueling apparatus, including storage tanks, for
21 installation on one or more properties located in this state for the
22 taxpayer's use. The amount of the tax credit for each vehicle refueling
23 apparatus is the cost of the vehicle refueling apparatus.

24 B. Except as provided in ~~subsection~~ SUBSECTIONS E AND G of this
25 section, for taxable years beginning after December 31, 1998, a credit
26 against taxes imposed pursuant to this title is allowed to each taxpayer who
27 installs any infrastructure necessary for operation of a vehicle refueling
28 apparatus purchased for installation on the taxpayer's property located in
29 this state as provided in subsection A of this section, including gas or
30 electric infrastructure from the closest main or transformer but not more
31 than one hundred feet. The amount of the tax credit for installation of
32 infrastructure is the cost of the installation of the infrastructure.

33 C. If the allowable tax credit exceeds the taxes due under this title
34 on the claimant's income, or if there are no taxes due under this title, the
35 taxpayer may elect ~~either of the following:~~

36 ~~1. to be paid A REFUND IN the amount of the claim not used to offset~~
37 ~~taxes under this title in the same manner as a refund granted under section~~
38 ~~42-1118 A SINGLE PAYMENT OR IN UP TO THREE ANNUAL INSTALLMENTS. Refunds made~~
39 ~~pursuant to this paragraph SUBSECTION are subject to setoff pursuant to~~
40 ~~section 42-1122. IF THE TAXPAYER ELECTS TO BE PAID IN ANNUAL INSTALLMENTS,~~
41 ~~THE TAXPAYER IS NOT ENTITLED TO RECEIVE INTEREST ON UNPAID INSTALLMENTS OF~~
42 ~~THE CREDIT.~~

43 ~~2. To use the amount as a credit to offset taxes under this title over~~
44 ~~ten consecutive taxable years in compliance with any statute of limitations~~
45 ~~provided in this title or title 42.~~

1 D. Co-owners of a business, including corporate partners in a
2 partnership, may each claim only the pro rata share of the credit allowed
3 under this section based on the ownership interest. The total of the credits
4 allowed all such owners may not exceed the amount that would have been
5 allowed for a sole owner of the business.

6 E. The credit provided by this section is not allowed for any of the
7 following:

8 1. The purchase of a vehicle refueling apparatus, including storage
9 tanks, that is made pursuant to a contract or purchase order entered into
10 ~~during the period beginning on OR AFTER October 20, 2000 through October 19,~~
11 ~~2001.~~

12 2. The purchase of a vehicle refueling apparatus, including storage
13 tanks, that is made ~~during the period beginning on OR AFTER October 20, 2000~~
14 ~~through October 19, 2001~~ if the purchase is not made pursuant to a contract
15 or purchase order entered into by the taxpayer before October 20, 2000.

16 3. Any installation of ~~infrastructure~~ INFRASTRUCTURE necessary for the
17 operation of a vehicle refueling apparatus that is made pursuant to a
18 contract or purchase order entered into ~~during the period beginning on OR~~
19 ~~AFTER October 20, 2000 through October 19, 2001.~~

20 4. Any installation of ~~infrastructure~~ INFRASTRUCTURE necessary for the
21 operation of a vehicle refueling apparatus that is made ~~during the period~~
22 ~~beginning on OR AFTER October 20, 2000 through October 19, 2001~~ if the
23 installation is not made pursuant to a contract or purchase order entered
24 into by the taxpayer before October 20, 2000.

25 F. No later than November 13, 2000, each person who sells or installs
26 vehicle refueling apparatuses, including storage tanks, shall provide
27 information to the department of commerce, in a form determined by the
28 department of commerce in consultation with the department of revenue, that
29 is necessary to administer this program and to determine the full extent to
30 which taxpayers are potentially eligible for tax credits pursuant to this
31 section. The information shall include all purchases and installations
32 described in subsection E of this section on or after January 1, 2000 through
33 October 19, 2000 but shall not include any cancellations that occur before
34 November 13, 2000. The department of commerce shall send a notice to each
35 person known to the department to be required to provide information pursuant
36 to this subsection. The department of commerce and the department of revenue
37 shall keep confidential any social security numbers, other assigned taxpayer
38 identification numbers or telephone numbers provided in the information
39 required pursuant to this section. For the purposes of this subsection, the
40 department of commerce is exempt from the rule making requirements of title
41 41, chapter 6.

42 G. A TAX CREDIT IS ALLOWED PURSUANT TO THIS SECTION ONLY IF THE
43 VEHICLE REFUELING APPARATUS IS INSTALLED ON OR BEFORE DECEMBER 31, 2000 OR
44 THE TAXPAYER HAS PAID IN FULL FOR THE VEHICLE REFUELING APPARATUS BEFORE
45 NOVEMBER 9, 2000.

1 H. SECTION 42-2059 DOES NOT APPLY TO COMPLIANCE REVIEW PURSUANT TO
2 THIS SECTION.

3 ~~G.~~ I. For the purposes of this section, "vehicle refueling apparatus"
4 means any of the following:

5 1. A maximum ten to fifteen standard cubic feet per minute natural gas
6 compression appliance used for slow fill, on-site refueling.

7 2. Equipment necessary to provide an electric charge for an electric
8 vehicle, excluding wall sockets and extension cords.

9 3. Tanks used to store liquefied petroleum gas.

10 Sec. 21. Section 43-1174.02, Arizona Revised Statutes, is amended to
11 read:

12 43-1174.02. Credit for alternative fuel delivery systems;
13 definitions

14 A. Except as provided in subsection H of this section, for taxable
15 years beginning after December 31, 1997, a credit against taxes imposed by
16 this title is allowed to each taxpayer who incurs construction costs or
17 operating costs during the taxable year for constructing or operating an
18 alternative fuel delivery system in this state that is capable of dispensing
19 an alternative fuel to an alternative fuel vehicle. A TAX CREDIT IS ALLOWED
20 PURSUANT TO THIS SECTION ONLY FOR CONSTRUCTION OR OPERATING COSTS OF AN
21 ALTERNATIVE FUEL DELIVERY SYSTEM IF A CONTRACT FOR CONSTRUCTION WAS ENTERED
22 INTO BEFORE OCTOBER 20, 2000 AND CONSTRUCTION ACTUALLY BEGAN BEFORE NOVEMBER
23 9, 2000. A CREDIT FOR OPERATING COSTS SHALL NOT BE ALLOWED AFTER NOVEMBER
24 9, 2000.

25 B. The amount of the credit is equal to the following:

26 1. For an alternative fuel delivery system that is accessible to the
27 general public or for an alternative fuel delivery system that is dispensing
28 a renewable fuel, one hundred per cent of the costs incurred up to a maximum
29 of four hundred thousand dollars. A taxpayer may take a credit pursuant to
30 this paragraph for each variation of alternative fuel type dispensed through
31 the alternative fuel delivery system.

32 2. For an alternative fuel delivery system that does not satisfy
33 paragraph 1 of this subsection, fifty per cent of the costs incurred up to
34 a maximum of two hundred thousand dollars. A taxpayer may take a credit
35 pursuant to this paragraph for each variation of alternative fuel type
36 dispensed through the alternative fuel delivery system.

37 C. If the allowable tax credit exceeds the taxes due under this title
38 on the claimant's income, or if there are no taxes due under this title, the
39 taxpayer may elect ~~either of the following:~~

40 ~~1. to be paid A REFUND IN the amount of the claim not used to offset~~
41 ~~taxes under this title in the same manner as a refund granted under section~~
42 ~~42-1118 A SINGLE PAYMENT OR IN UP TO THREE INSTALLMENTS. Refunds made~~
43 ~~pursuant to this paragraph SUBSECTION are subject to setoff pursuant to~~
44 ~~section 42-1122. IF THE TAXPAYER ELECTS TO BE PAID IN ANNUAL INSTALLMENTS,~~

1 THE TAXPAYER IS NOT ENTITLED TO RECEIVE INTEREST ON UNPAID INSTALLMENTS OF
2 THE CREDIT.

3 ~~2. To use the amount as a credit to offset taxes under this title over~~
4 ~~ten consecutive taxable years in compliance with any statute of limitations~~
5 ~~provided in this title or title 42.~~

6 D. If a tax credit is allowed pursuant to this section for an
7 alternative fuel delivery system located at a fueling station, the price of
8 the alternative fuel sold from the alternative fuel delivery system shall be
9 included on the standardized sign that contains the price of other fuels sold
10 at the fueling station. The department of commerce energy office shall
11 design these signs, including the alternative fuel logo for these signs.
12 Notwithstanding any other law and because the legislature finds it a matter
13 of statewide concern, these signs shall be uniform throughout the state and
14 local ordinances, rules or laws are preempted for design, placement, size,
15 type and height.

16 E. If the taxpayer enters into a lease agreement for the alternative
17 fuel delivery system, the lessor may claim a share of the tax credit allowed
18 under this section as provided in the lease agreement, except that the total
19 amount claimed by the lessor and lessee shall not be more than the credit
20 allowed under this section.

21 F. Co-owners of a business, including corporate partners in a
22 partnership, may each claim only the pro rata share of the credit allowed
23 under this section based on the ownership interest. The total of the credits
24 allowed all such owners may not exceed the amount that would have been
25 allowed for a sole owner of the business.

26 G. A person who receives a grant pursuant to section 41-1516 is not
27 eligible to claim a credit pursuant to this section for the amount of the
28 grant. Except as provided in subsection H of this section, if the cost of
29 the alternative fuel delivery system exceeds the amount of the grant, a
30 person may claim a credit for the amount in excess of the amount of the grant
31 not to exceed the limits imposed by this section.

32 H. The credit provided by this section is not allowed for either:

33 1. Construction costs or operating costs of an alternative fuel
34 delivery system that are made pursuant to a contract entered into during the
35 period beginning on OR AFTER October 20, 2000 through ~~October 19, 2001~~.

36 2. Construction costs or operating costs of an alternative fuel
37 delivery system that are incurred during the period beginning on OR AFTER
38 October 20, 2000 through ~~October 19, 2001~~ if the costs are not incurred
39 pursuant to a contract entered into by the taxpayer before October 20, 2000.

40 I. No later than November 13, 2000, each person who provides
41 construction or operating services to alternative fuel delivery systems shall
42 provide information to the department of commerce, in a form determined by
43 the department of commerce in consultation with the department of revenue,
44 that is necessary to administer this program and to determine the full extent
45 to which taxpayers are potentially eligible for tax credits pursuant to this

1 section. The information shall include all costs described in subsection H
2 of this section on or after January 1, 2000 through October 19, 2000 but
3 shall not include any cancellations that occur before November 13, 2000. The
4 department of commerce shall send a notice to each person known to the
5 department required to provide information pursuant to this subsection. The
6 department of commerce and the department of revenue shall keep confidential
7 any social security numbers, other assigned taxpayer identification numbers
8 or telephone numbers provided in the information required pursuant to this
9 section. For the purposes of this subsection, the department of commerce is
10 exempt from the rule making requirements of title 41, chapter 6.

11 J. SECTION 42-2059 DOES NOT APPLY TO COMPLIANCE REVIEW PURSUANT TO
12 THIS SECTION.

13 ~~J.~~ K. For the purposes of this section:

14 1. "Alternative fuel" has the same meaning prescribed in section
15 1-215.

16 2. "Alternative fuel delivery system" has the same meaning prescribed
17 in section 41-1516.

18 3. "Alternative fuel vehicle" has the same meaning prescribed in
19 section 43-1086.

20 4. "Construction costs" means those costs associated with the
21 construction of an alternative fuel delivery system.

22 5. "Operating costs" means those costs directly associated with the
23 dispensing of alternative fuel through an alternative fuel delivery system
24 plus a reasonable charge for overhead functions. Operating costs do not
25 include any expenses directly or indirectly associated with the dispensing
26 of gasoline or diesel fuel or the sale of items at retail not connected with
27 the dispensing of alternative fuels.

28 6. "Renewable fuel" means electricity or solar energy.

29 Sec. 22. Section 49-542, Arizona Revised Statutes, is amended to read:

30 49-542. Emissions inspection program; powers and duties of
31 director; administration; periodic inspection;
32 minimum standards and rules; exception

33 A. The director shall administer a comprehensive annual or biennial
34 emissions inspection program which shall require the inspection of vehicles
35 in this state pursuant to this article and applicable administrative rules.
36 Such inspection is required in area A and area B, for those vehicles owned
37 by a person who is subject to section 15-1444 or 15-1627 and for those
38 vehicles registered outside of area A or area B but used to commute to the
39 driver's principal place of employment located within area A or area B.
40 Inspection in other counties of the state shall commence upon application by
41 a county board of supervisors for participation in such inspection program,
42 subject to approval by the director. In all counties with a population of
43 three hundred fifty thousand or fewer persons according to the most recent
44 United States decennial census, except for the portion of counties that
45 contain any portion of area A, the director shall as conditions dictate

1 provide for testing to determine the effect of vehicle related pollution on
2 ambient air quality in all communities with a metropolitan area population
3 of twenty thousand persons or more according to the most recent United States
4 decennial census. If such testing detects the violation of state ambient air
5 quality standards by vehicle related pollution, the director shall forward
6 a full report of such violation to the president of the senate, the speaker
7 of the house of representatives and the governor.

8 B. The state's annual or biennial emissions inspection program shall
9 provide for vehicle inspections at official emissions inspection stations or
10 at fleet emissions inspection stations. Each inspection station in area A
11 shall employ at least one mechanic who is available during the station's
12 hours of operation to provide technical advice and assistance for persons who
13 fail the emissions test. The director may enter into agreements with the
14 department of transportation or with county assessors for the use of official
15 emissions inspection stations for the purpose of conducting vehicle
16 registrations. An official or fleet emissions inspection station permit
17 shall not be sold, assigned, transferred, conveyed or removed to another
18 location except on such terms and conditions as the director may prescribe.

19 C. Vehicles required to be inspected and registered in this state,
20 except those provided for in section 49-546, shall be inspected, for the
21 purpose of complying with the registration or reregistration requirement
22 pursuant to subsection D of this section, in accordance with the provisions
23 of this article no more than ninety days prior to each reregistration
24 expiration date. A vehicle may be submitted voluntarily for inspection more
25 than ninety days before the reregistration expiration date on payment of the
26 prescribed inspection fee. Such voluntary inspection shall not be considered
27 as compliance with the registration or reregistration requirement pursuant
28 to subsection D of this section.

29 D. A vehicle shall not be registered or reregistered until such
30 vehicle has passed the emissions inspection and the tampering inspection
31 prescribed in subsection G of this section or has been issued a certificate
32 of waiver. A certificate of waiver shall only be issued one time to a
33 vehicle after January 1, 1997. If any vehicle to be registered or
34 reregistered is being sold by a dealer licensed to sell motor vehicles
35 pursuant to title 28, the cost of any inspection and any repairs necessary
36 to pass the inspection shall be borne by the dealer. A dealer who is
37 licensed to sell motor vehicles pursuant to title 28 and whose place of
38 business is located in area A or area B shall not deliver any vehicle to the
39 retail purchaser until the vehicle passes any inspection required by this
40 article or the vehicle is exempt under subsection J of this section.

41 E. On the registration or reregistration of a vehicle which has
42 complied with the minimum emissions standards pursuant to this section or is
43 otherwise exempt under this section, the registering officer shall issue an
44 air quality compliance sticker to the registered owner which shall be placed
45 on the vehicle as prescribed by rule adopted by the department of

1 transportation or issue a modified year validating tab as prescribed by rule
2 adopted by the department of transportation. Those persons who reside
3 outside of area A or area B but who elect to test their vehicle or are
4 required to test their vehicle pursuant to this section and who comply with
5 the minimum emissions standards pursuant to this section or are otherwise
6 exempt under this section shall remit a compliance form, as prescribed by the
7 department of transportation, and proof of compliance issued at an official
8 emissions inspection station to the department of transportation along with
9 the appropriate fees. The department of transportation shall then issue the
10 person an air quality compliance sticker which shall be placed on the vehicle
11 as prescribed by rule adopted by the department of transportation. The
12 registering officer or the department of transportation shall collect an air
13 quality compliance fee of twenty-five cents. The registering officer or the
14 department of transportation shall deposit, pursuant to sections 35-146 and
15 35-147, the air quality compliance fee in the state highway fund established
16 by section 28-6991. The department of transportation shall deposit, pursuant
17 to sections 35-146 and 35-147, any emissions inspection fee in the emissions
18 inspection fund. The provisions of this subsection do not apply to those
19 vehicles registered pursuant to title 28, chapter 7, article 7 or 8, the sale
20 of vehicles between motor vehicle dealers or vehicles leased to a person
21 residing outside of area A or area B by a leasing company whose place of
22 business is in area A or area B.

23 F. The director shall adopt minimum emissions standards pursuant to
24 section 49-447 with which the various classes of vehicles shall be required
25 to comply as follows:

26 1. For the purpose of determining compliance with minimum emissions
27 standards in area B:

28 (a) A motor vehicle manufactured in or before the 1980 model year,
29 other than a diesel powered vehicle, shall be required to take and pass the
30 curb idle test condition. A diesel powered vehicle is subject to only a
31 loaded test condition. The conditioning mode shall, at the option of the
32 vehicle owner or owner's agent, be administered only after the vehicle has
33 failed the curb idle test condition. Upon completion of such conditioning
34 mode, a vehicle that has failed the curb idle test condition may be retested
35 in the curb idle test condition. If the vehicle passes such retest, it shall
36 be deemed in compliance with minimum emissions standards unless the vehicle
37 fails the tampering inspection pursuant to subsection G of this section.

38 (b) A motor vehicle manufactured in or after the 1981 model year,
39 other than a diesel powered vehicle, shall be required to take and pass the
40 curb idle test condition and the loaded test condition.

41 (c) An on board diagnostic check as may be required pursuant to title
42 II of the clean air act may be conducted for advisory purposes.

43 2. For purposes of determining compliance with minimum emissions
44 standards and functional tests in area A:

1 (a) Motor vehicles manufactured in or after model year 1981 with a
2 gross vehicle weight rating of eighty-five hundred pounds or less, other than
3 diesel powered vehicles, shall be required to take and pass a transient
4 loaded emissions test or an on board diagnostic check as may be required
5 pursuant to title II of the clean air act.

6 (b) Motor vehicles other than those prescribed by subdivision (a) of
7 this paragraph and other than diesel powered vehicles shall be required to
8 take and pass a steady state loaded test and a curb idle emissions test.

9 (c) Notwithstanding the requirement of subsection C of this section
10 that the first emissions inspection after the purchase of a new vehicle be
11 for the second registration year for that vehicle, a diesel powered motor
12 vehicle applying for registration or reregistration in area A more than
13 thirty-three months after the date of initial registration shall be required
14 to take and pass an annual emissions test conducted at an official emissions
15 inspection station or a fleet emissions inspection station as follows:

16 (i) A loaded, transient or any other form of test as provided for in
17 rules adopted by the director for vehicles with a gross vehicle weight rating
18 of eight thousand five hundred pounds or less.

19 (ii) A test that conforms with the society for automotive engineers
20 standard J1667 for vehicles with a gross vehicle weight rating of more than
21 eight thousand five hundred pounds.

22 (d) Motor vehicles by specific class or model year shall be required
23 to take and pass any of the following tests:

24 (i) An evaporative system purge test.

25 (ii) An evaporative system integrity test.

26 (e) An on board diagnostic check as may be required pursuant to title
27 II of the clean air act may be conducted for advisory purposes.

28 3. A motorcycle or constant four wheel drive vehicle shall be required
29 to take and pass a curb idle emissions test.

30 4. Fleet operators in area B which have been issued a permit under
31 section 49-546 are required to test their vehicles as follows:

32 (a) A motor vehicle manufactured in or before the 1980 model year
33 shall take and pass only the curb idle test condition, except that a diesel
34 powered vehicle is subject to only a loaded test condition.

35 (b) A motor vehicle manufactured in or after the 1981 model year shall
36 take and pass the curb idle test condition and a twenty-five hundred
37 revolutions per minute unloaded test condition.

38 5. Vehicles owned or operated by the United States, this state or a
39 political subdivision of this state shall comply with this subsection without
40 regard to whether those vehicles are required to be registered in this state,
41 except that alternative fuel vehicles of a school district that is located
42 in area A shall be required to take and pass the curb idle test condition and
43 the loaded test condition.

44 6. Fleet operators in area A shall comply with this section, except
45 that used vehicles sold by a motor vehicle dealer who is a fleet operator and

1 who has been issued a permit pursuant to section 49-546 for purposes of
2 determining compliance with minimum emission standards in area A shall test
3 their vehicles as follows:

4 (a) A motor vehicle manufactured in or before the 1980 model year
5 shall take and pass the curb idle test condition, except that a diesel
6 powered vehicle is subject to only a loaded test condition.

7 (b) A motor vehicle manufactured in or after the 1981 model year shall
8 take and pass the curb idle test condition and a two thousand five hundred
9 revolutions per minute unloaded test condition.

10 7. Beginning on January 1, 2004, a diesel powered motor vehicle with
11 a gross vehicle weight of more than twenty-six thousand pounds and for which
12 gross weight fees are paid pursuant to title 28, chapter 15, article 2 in
13 area A shall not be allowed to operate in area A unless it was manufactured
14 in or after the 1988 model year or is powered by an engine that is certified
15 to meet or surpass emissions standards contained in 40 Code of Federal
16 Regulations section 86.088-11. This paragraph does not apply to vehicles
17 that are registered pursuant to title 28, chapter 7, article 7 or 8.

18 G. In addition to an emissions inspection, a vehicle is subject to a
19 tampering inspection on at least a biennial basis if the vehicle was
20 manufactured after the 1974 model year and the vehicle is not subject to a
21 transient loaded emissions test. The director shall adopt vehicle
22 configuration guidelines for the tampering inspection which shall be based
23 on the original configuration of the vehicle when manufactured. The
24 tampering inspection shall consist of the following:

25 1. A visual check to determine the presence of properly installed
26 catalytic converters.

27 2. An examination to determine the presence of an operational air
28 pump.

29 3. In area A, if the vehicle was manufactured after the 1974 model
30 year and is not subject to a transient loaded emissions test, a visual
31 inspection for the presence or malfunction of the positive crankcase
32 ventilation system and the evaporative control system.

33 H. Vehicles required to be inspected shall undergo a functional test
34 of the gas cap to determine if the cap holds pressure within limits
35 prescribed by the director, except for any vehicle that is subject to an
36 evaporative system integrity test.

37 I. Motor vehicles failing the initial or subsequent test are not
38 subject to a penalty fee for late registration renewal if the original
39 testing was accomplished before the expiration date and if the registration
40 renewal is received by the motor vehicle division or the county assessor
41 within thirty days of the original test.

42 J. The director may adopt rules for purposes of implementation,
43 administration, regulation and enforcement of the provisions of this article
44 including:

1 1. The submission of records relating to the emissions inspection of
2 vehicles inspected by another jurisdiction in accordance with another
3 inspection law and the acceptance of such inspection for compliance with the
4 provisions of this article.

5 2. The exemption from inspection of:

6 (a) A motor vehicle manufactured in or before the 1966 model year.

7 (b) New vehicles originally registered at the time of initial retail
8 sale and titling in this state pursuant to section 28-2153 or 28-2154.

9 (c) Vehicles registered pursuant to title 28, chapter 7, article 7
10 or 8.

11 (d) During each calendar year vehicles of that model year and vehicles
12 from the prior four model years.

13 (e) Vehicles which will not be available within the state during the
14 ninety days prior to registration.

15 (f) Golf carts.

16 (g) Electrically-powered vehicles.

17 (h) Vehicles with an engine displacement of less than ninety cubic
18 centimeters.

19 (i) The sale of vehicles between motor vehicle dealers.

20 (j) Vehicles leased to a person residing outside of area A or area B
21 by a leasing company whose place of business is in area A or area B.

22 ~~(k) Motor vehicles that have a gross vehicle weight of twelve thousand~~
23 ~~pounds or less, that are powered by an alternative fuel and that qualify for~~
24 ~~the vehicle license tax rate prescribed in section 28-5805.~~

25 3. Compiling and maintaining records of emissions test results after
26 servicing.

27 4. A procedure which shall allow the vehicle service and repair
28 industry to compare the calibration accuracy of its emissions testing
29 equipment with the department's calibration standards.

30 5. Training requirements for automotive repair personnel using
31 emissions measuring equipment whose calibration accuracy has been compared
32 with the department's calibration standards.

33 6. Any other rule which may be required to accomplish the provisions
34 of this article.

35 K. The director shall, after consultation with automobile
36 manufacturers and the vehicle service and repair industry, establish by rule
37 a definition of "low emissions tune-up" for motor vehicles subject to
38 inspection under this article. The definition shall specify repair
39 procedures which, when implemented, will reduce vehicle emissions.

40 L. The director shall adopt rules which specify that the estimated
41 retail cost of all recommended maintenance and repairs shall not exceed the
42 amounts prescribed in this subsection, except that if a vehicle fails a
43 tampering inspection there is no limit on the cost of recommended maintenance
44 and repairs. The director shall issue a certificate of waiver for a vehicle
45 which has failed reinspection, if the director has determined that all

1 recommended maintenance and repairs have been performed. If, after
2 reinspection, the director has determined that the vehicle is in compliance
3 with minimum emissions standards or that all recommended maintenance and
4 repairs for compliance with minimum emissions standards have been performed,
5 but that tampering discovered at a tampering inspection has not been
6 repaired, the director may issue a certificate of waiver if the owner of the
7 vehicle provides to the director a written statement from an automobile parts
8 or repair business that an emissions control device which is necessary to
9 repair the tampering is not available and cannot be obtained from any usual
10 source of supply before the vehicle's current registration expires. Rules
11 adopted by the director for the purpose of establishing the estimated retail
12 cost of all recommended maintenance and repairs pursuant to this subsection
13 shall specify that:

14 1. In area A the cost shall not exceed:

15 (a) Five hundred dollars for a diesel powered vehicle with a gross
16 weight in excess of twenty-six thousand pounds.

17 (b) Five hundred dollars for a diesel powered vehicle with tandem
18 axles.

19 (c) For a vehicle other than a diesel powered vehicle with a gross
20 weight in excess of twenty-six thousand pounds and other than a diesel
21 powered vehicle with tandem axles:

22 (i) Two hundred dollars for such a vehicle manufactured in or before
23 the 1974 model year.

24 (ii) Three hundred dollars for such a vehicle manufactured in the 1975
25 through 1979 model years.

26 (iii) Four hundred fifty dollars for such a vehicle manufactured in
27 or after the 1980 model year.

28 2. In area B the cost shall not exceed:

29 (a) Three hundred dollars for a diesel powered vehicle with a gross
30 weight in excess of twenty-six thousand pounds.

31 (b) Three hundred dollars for a diesel powered vehicle with tandem
32 axles.

33 3. For a vehicle other than a diesel powered vehicle with a gross
34 weight in excess of twenty-six thousand pounds and other than a diesel
35 powered vehicle with tandem axles:

36 (a) Fifty dollars for such a vehicle manufactured in or before the
37 1974 model year.

38 (b) Two hundred dollars for such a vehicle manufactured in the 1975
39 through 1979 model years.

40 (c) Three hundred dollars for such a vehicle manufactured in or after
41 the 1980 model year.

42 M. Each person whose vehicle has failed an emissions inspection shall
43 be provided a list of those general recommended tune-up procedures for
44 vehicles which are designed to reduce vehicle emissions levels. The list

1 shall include the following notice: "This test is the result of federal law.
2 You may wish to contact your representative in the United States Congress."

3 N. Notwithstanding any other provisions of this article, the director
4 may adopt rules allowing exemptions from the requirement that all vehicles
5 must meet the minimum standards for registration or reregistration.

6 O. The director of environmental quality shall establish, in
7 cooperation with the assistant director for the motor vehicle division of the
8 department of transportation:

9 1. An adequate method for identifying bona fide residents residing
10 outside of area A or area B to ensure that such residents are exempt from
11 compliance with the inspection program established by this article and rules
12 adopted under this article.

13 2. A written notice that shall accompany the vehicle registration
14 application forms that are sent to vehicle owners pursuant to section 28-2151
15 and that shall accompany or be included as part of the vehicle emissions test
16 results that are provided to vehicle owners at the time of the vehicle
17 emissions test. This written notice shall describe at least the following:

18 (a) The restriction of the waiver program to one time per vehicle and
19 a brief description of the implications of this limit.

20 (b) The availability and a brief description of the vehicle repair and
21 retrofit program established pursuant to section 49-474.03.

22 (c) Notice that many vehicles carry extended warranties for vehicle
23 emissions systems, and those warranties are described in the vehicle's
24 owner's manual or other literature.

25 (d) A description of the catalytic converter replacement program
26 established pursuant to section 49-474.03.

27 P. Notwithstanding any other law, if area A or area B is reclassified
28 as an attainment area, emissions testing conducted pursuant to this article
29 shall continue for vehicles registered inside that reclassified area,
30 vehicles owned by a person who is subject to section 15-1444 or 15-1627 and
31 vehicles registered outside of that reclassified area but used to commute to
32 the driver's principal place of employment located within that reclassified
33 area.

34 Q. A fleet operator who is issued a permit pursuant to section 49-546
35 may electronically transmit emissions inspection data to the department of
36 transportation pursuant to rules adopted by the director of the department
37 of transportation in consultation with the director of environmental quality.

38 R. The director shall prohibit a certificate of waiver pursuant to
39 subsection L of this section for any vehicle which has failed inspection in
40 area A due to the catalytic converter system.

41 S. The director shall establish provisions for rapid testing of
42 certain vehicles and to allow fleet operators, singly or in combination, to
43 contract directly for vehicle emissions testing.

44 T. Each vehicle emissions control station in area A shall have a sign
45 posted to be visible to persons who are having their vehicles tested. This

1 sign shall state that enhanced testing procedures are a direct result of
2 federal law.

3 U. The initial adoption of rules pursuant to this section shall be
4 deemed emergency rules pursuant to section 41-1026.

5 V. The director of environmental quality and the director of the
6 department of transportation shall implement a system to exchange information
7 relating to the waiver program, including information relating to vehicle
8 emissions test results and vehicle registration information.

9 W. Any person who sells a vehicle that has been issued a certificate
10 of waiver pursuant to this section after January 1, 1997 and who knows that
11 a certificate of waiver has been issued after January 1, 1997 for that
12 vehicle shall disclose to the buyer before completion of the sale that a
13 certificate of waiver has been issued for that vehicle.

14 X. Vehicles that fail the emissions test at emission levels higher
15 than twice the standard established for that vehicle class by the department
16 pursuant to section 49-447 are not eligible for a certificate of waiver
17 pursuant to this section unless the vehicle is repaired sufficiently to
18 achieve an emissions level below twice the standard for that class of
19 vehicle.

20 Sec. 23. Title 49, chapter 3, article 5, Arizona Revised Statutes, is
21 amended by adding section 49-542.05, to read:

22 49-542.05. Alternative fuel vehicles

23 A. EACH ALTERNATIVE FUEL VEHICLE, EXCEPT FOR VEHICLES FUELED BY
24 HYDROGEN, AS DEFINED IN SECTION 43-1086 THAT IS REGISTERED IN OR USED TO
25 COMMUTE INTO AREA A OR AREA B PURSUANT TO SECTION 49-542, SUBSECTION A IS
26 SUBJECT TO THE EMISSIONS INSPECTION REQUIREMENTS PRESCRIBED IN THIS ARTICLE
27 AND SHALL BE TESTED BEFORE THE VEHICLE IS REGISTERED IN THIS STATE AS AN
28 ALTERNATIVE FUEL VEHICLE BOTH WHILE OPERATING ON GASOLINE AND WHILE OPERATING
29 ON ALTERNATIVE FUEL, IF APPLICABLE. IN SUBSEQUENT YEARS, THE VEHICLE SHALL
30 BE TESTED BOTH WHILE OPERATING ON GASOLINE AND WHILE OPERATING ON ALTERNATIVE
31 FUEL, IF APPLICABLE, PURSUANT TO THE REQUIREMENTS OF SECTION 49-542.

32 B. THE DEPARTMENT OF ENVIRONMENTAL QUALITY SHALL COMPILE AND MAINTAIN
33 DATA REGARDING THE RESULTS OF EMISSIONS INSPECTIONS OF ALL ALTERNATIVE FUEL
34 VEHICLES PURSUANT TO THIS ARTICLE.

35 Sec. 24. Section 49-543, Arizona Revised Statutes, is amended to read:

36 49-543. Emissions inspection costs; disposition; fleet
37 inspection; certificates

38 A. The director shall fix, regulate and alter in accordance with this
39 section the fees required to be paid for the full costs of the vehicle
40 emissions inspection program pursuant to this article including
41 administration, implementation and enforcement.

1 B. EXCEPT AS PROVIDED IN SECTION 49-542.05, for all the emissions
2 inspections prior to the sixth registration year after purchase or lease of
3 a new vehicle, the owner of the vehicle shall do one of the following:

4 1. Have the vehicle inspected pursuant to this article.

5 2. Pay a twenty-five dollar fee in area A and a nine dollar fee in
6 area B. The owner shall pay this fee together with the registration fee for
7 the vehicle to the registering officer. The registering officer shall
8 deposit, pursuant to sections 35-146 and 35-147, these fees in the Arizona
9 clean air fund established by section 41-1516. The registering officer may
10 enter into an intergovernmental agreement with another department of this
11 state to collect and deposit the fee. An owner who chooses to have an
12 emissions inspection pursuant to this article is not required to pay the fee
13 prescribed in this paragraph for that emissions test cycle.

14 C. EXCEPT AS PROVIDED IN SECTION 49-542.05, the registration renewal
15 notice required for the second through fifth registration year of a new
16 vehicle shall include a notice to the vehicle owner that even though an
17 emissions inspection test is not required pursuant to subsection B of this
18 section the owner may choose to have an emissions inspection because of
19 vehicle emissions performance warranty limitations on emissions components
20 of the vehicle.

21 D. The fees charged for official emissions inspection shall be uniform
22 as applied to each class of vehicle which shall be defined by the director.
23 Except for fees collected by the director pursuant to section 49-546, the
24 inspection fees required to be paid pursuant to this article may be collected
25 with the registration fee by the registering officer at the time and place
26 of motor vehicle registration pursuant to title 28, chapter 7, article 5 and
27 deposited, pursuant to sections 35-146 and 35-147, in the emissions
28 inspection fund in accordance with the rules adopted by the director or may
29 be collected by the independent contractor at the time of inspection by means
30 of an approved check or cash.

31 E. Any person, except a person who has been issued a certificate of
32 waiver pursuant to section 49-542, subsection L, whose vehicle has been
33 inspected at an official emissions inspection station shall, if the vehicle
34 was not found to comply with the minimum standards, have the vehicle
35 repaired, including recommended repair or replacement of emissions control
36 devices as a result of tampering, and have the right within sixty consecutive
37 calendar days but not thereafter to return the vehicle for one reinspection
38 without charge. The department may provide for additional reinspections
39 without charge. A vehicle shall not be deemed to pass a reinspection unless
40 the tampering discovered during the tampering inspection is repaired with new
41 or reconditioned emissions control devices.

1 F. The department shall issue certificates of inspection to owners of
2 fleet emissions inspection stations. Each certificate shall be validated by
3 the fleet emissions inspection stations in a manner required by the director
4 at the time that each owner's fleet vehicle has been inspected or has passed
5 inspection. The validated certificate of inspection shall indicate at the
6 time of registration that the owner's fleet vehicle has been inspected and
7 that the vehicle has passed inspection.

8 G. The director shall fix an emissions inspection fee before
9 inspection certificates may be issued to the owner of any fleet emissions
10 inspection station. Such fee shall be uniform for each inspection
11 certificate issued and shall be based upon the director's estimated
12 costs to the state of administering and enforcing the provisions of this
13 article as they apply to fleet emissions inspection stations and the vehicles
14 inspected in fleet emissions inspection stations. The director shall
15 deposit, pursuant to sections 35-146 and 35-147, all such monies collected
16 by the director pursuant to this article in the emissions inspection fund.

17 Sec. 25. Delayed repeal

18 Sections 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 and
19 43-1174.02, Arizona Revised Statutes, as amended by this act, are repealed
20 from and after December 31, 2003.

21 Sec. 26. Retroactivity

22 Sections 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 and
23 43-1174.02, Arizona Revised Statutes, as amended by this act, apply
24 retroactively to taxable years beginning from and after December 31, 1999.

25 Sec. 27. Laws 2000, chapter 1, section 3 is amended to read:

26 Sec. 3. Supplemental appropriations; state hospital; repayment;
27 exemption

28 A. In addition to the appropriation made by Laws 1999, first special
29 session, chapter 1, section 4, the following sums are appropriated in the
30 following fiscal years from the monies in the Arizona state hospital capital
31 construction fund established by section 4 of this act to the department of
32 administration for the demolition, renovation and construction of the Arizona
33 state hospital. The department of administration is exempt from the
34 provisions of title 41, chapter 23, Arizona Revised Statutes, relating to
35 procurement procedures for purposes of this project but shall report to the
36 joint committee on capital review and the Arizona state hospital capital
37 construction commission as to any procurement procedures that vary from those
38 specified in title 41, chapter 23, Arizona Revised Statutes. The department
39 shall use an architect with at least ten years' experience in hospital design
40 and construction:

- 41 1. \$20,000,000 in fiscal year 1999-2000.
- 42 2. \$20,000,000 in fiscal year 2000-2001.
- 43 3. \$20,000,000 in fiscal year 2001-2002.
- 44 4. \$20,000,000 in fiscal year 2002-2003.

1 Of the amounts appropriated, the department of administration may allocate
2 up to \$252,000 and four FTE positions each of the fiscal years of the
3 appropriation to manage and oversee the project until its completion.

4 B. If state-specific finality as defined in the national tobacco
5 lawsuit master settlement agreement is achieved, ~~interest earnings~~ MONIES
6 from the budget stabilization fund deposited into the Arizona state hospital
7 capital construction fund in section 4 of this act shall be repaid by the
8 state treasurer to the budget stabilization fund from the first \$80,000,000
9 in up-front tobacco settlement monies received by this state. The repayments
10 shall be made in the following amounts in the following fiscal years:

11 1. Fiscal year 1999-2000, \$20,000,000.

12 2. Fiscal year 2000-2001, \$20,000,000.

13 3. Fiscal year 2001-2002, \$20,000,000.

14 4. Fiscal year 2002-2003, \$20,000,000.

15 C. At a minimum, the department of administration shall use monies
16 appropriated pursuant to this section to provide one hundred seventy-six new
17 civil beds to be located on the current grounds of the state hospital at
18 Twenty-fourth street and Van Buren road in Phoenix and to renovate and expand
19 the facilities at that site to address physical plant needs for civil and
20 forensic populations, an adolescent unit and sexually violent offenders.

21 D. Following the recommendations of the Arizona state hospital capital
22 construction commission pursuant to section 36-218, subsection G, Arizona
23 Revised Statutes, the project is subject to review by the joint committee on
24 capital review, including a review of the request for proposals and proposals
25 of builders, a review of the entire plan before construction is started and
26 quarterly updates of the project.

27 E. The appropriations made pursuant to this section are exempt from
28 the provisions of section 35-190, Arizona Revised Statutes, relating to
29 lapsing of appropriations until July 1, 2003.

30 Sec. 28. Laws 2000, chapter 1, section 4 is amended to read:

31 Sec. 4. Arizona state hospital capital construction fund;
32 budget stabilization fund monies; distribution;
33 reversion

34 An Arizona state hospital capital construction fund is established.
35 Notwithstanding section 35-144, Arizona Revised Statutes, the state treasurer
36 shall deposit \$20,000,000 in each of the fiscal years 1999-2000, 2000-2001,
37 2001-2002 and 2002-2003 from the ~~interest earnings on the~~ budget
38 stabilization fund monies into the Arizona state hospital capital
39 construction fund. Deposits shall be made ~~on an equal monthly basis~~ AT THE
40 BEGINNING OF EACH FISCAL YEAR. ~~The last deposit shall be made in June, 2003.~~
41 FOR FISCAL YEAR 2000-2001, THE TREASURER SHALL DEPOSIT ALL MONIES BY JANUARY
42 1, 2001. FISCAL YEAR 2000-2001 DEPOSITS SHALL NOT EXCEED \$20,000,000,
43 INCLUDING ANY PREVIOUSLY DEPOSITED INTEREST EARNINGS FROM THE BUDGET
44 STABILIZATION FUND. All interest earned on investment of monies in the
45 Arizona state hospital capital construction fund shall be credited to the

1 fund. All monies in the fund remaining unexpended and unencumbered on July
2 1, 2005, revert to the budget stabilization fund.

3 Sec. 29. Laws 2000, chapter 405, section 43 is amended to read:

4 Sec. 43. Previous tax credits carryforward; refund eligibility

5 A. The amendments to sections 43-1086, 43-1086.01, 43-1086.02,
6 43-1174, 43-1174.01 and ~~43-1174.03~~ 43-1174.02, Arizona Revised Statutes, by
7 this act LAWS 2000, CHAPTER 405 do not affect any tax credit carryforward
8 that accrued under those sections before taxable years beginning on January
9 1, 1999.

10 B. For any taxpayer who carried forward an allowable tax credit
11 pursuant to section 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 or
12 43-1174.02, Arizona Revised Statutes, from taxable years beginning after
13 December 31, 1998, the following apply:

14 ~~1. For any of those tax credits that is not for a neighborhood~~
15 ~~electric vehicle, the taxpayer may elect either of the following:~~

16 ~~(a) To be paid the amount of the claim not used to offset taxes under~~
17 ~~this title in the same manner as a refund granted under section 42-1118,~~
18 ~~Arizona Revised Statutes. Refunds made pursuant to this subdivision are~~
19 ~~subject to setoff pursuant to section 42-1122, Arizona Revised Statutes.~~

20 ~~(b) To use the amount as a credit to offset taxes under this title~~
21 ~~over ten consecutive taxable years in compliance with any statute of~~
22 ~~limitations provided in title 42 or 43, Arizona Revised Statutes.~~

23 ~~2. For a tax credit for a vehicle that is a neighborhood electric~~
24 ~~vehicle, the amount of the credit not used to offset taxes under this title~~
25 ~~may be carried forward to the next five consecutive taxable years as a credit~~
26 ~~against subsequent years' income tax liability.~~

27 Sec. 30. Exemption from rule making

28 A. The department of revenue shall establish procedures and make such
29 forms as are necessary to process tax credits pursuant to this act.

30 B. The department of administration shall establish procedures and
31 make such forms as are necessary to process claims pursuant to this act.

32 C. For purposes of this section, the department of revenue and
33 department of administration are exempt from the rule making requirements of
34 title 41, chapter 6, Arizona Revised Statutes.

35 Sec. 31. Cost reimbursement procedures

36 A. A person is eligible to present a claim for reimbursement to the
37 department of administration if the person might have been eligible for a tax
38 credit under section 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 or
39 43-1174.02, Arizona Revised Statutes, before the applicable section was
40 amended by this act but does not meet the requirements imposed by this act
41 and both of the following apply:

42 1. The person cancelled a contract or purchase order to purchase or
43 lease a vehicle or to convert a vehicle to operate on alternative fuel, or
44 to purchase, install or construct a vehicle refueling apparatus or an
45 alternative fuel delivery system.

1 2. The person suffered actual monetary loss directly related to the
2 purchase or lease of a vehicle, to the conversion of a vehicle to operate on
3 alternative fuel or to the purchase, installation or construction of a
4 vehicle refueling apparatus or an alternative fuel delivery system.

5 B. Any person who is reimbursed for a claim through this procedure
6 waives the right to claim a tax credit pursuant to section 43-1086,
7 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 and 43-1174.02, Arizona Revised
8 Statutes, and waives the right to claim or collect any additional monies from
9 this state and releases this state in full of all claims and rights resulting
10 from this act and Laws 2000, chapter 405.

11 C. All claims must be filed with the department of administration on
12 a form prepared by the department. To qualify, the claim must be filed with
13 the department or postmarked no later than March 9, 2001.

14 D. The claim shall be signed by the applicant and shall include the
15 name and address of the claimant, the amount claimed, a copy of the
16 claimant's original purchase order or contract and other information required
17 by the department of administration in order to determine eligibility and the
18 amount of the reimbursement. An applicant's phone number, social security
19 number, taxpayer identification number, vehicle identification number, driver
20 license number and vehicle license plate number shall not be publicly
21 disclosed. If the director of the department of administration or the
22 director's designee believes that information submitted pursuant to this
23 subsection may constitute fraud, the director or the director's designee
24 shall provide that information to the attorney general.

25 E. The department of administration shall determine the amount of the
26 reimbursement in accordance with section 32 of this act. The department of
27 administration promptly shall notify applicants of its determination by
28 certified mail to the last known address provided by the claimant. If the
29 claim is denied, in whole or in part, the department of administration shall
30 also provide an explanation of an applicant's rights to seek review of the
31 denial. A claim is deemed denied six months after the filing of the claim
32 unless the claimant is advised of the denial before the expiration of six
33 months.

34 F. Denial of a claim, in whole or in part, is an appealable agency
35 action as defined in section 41-1092, Arizona Revised Statutes.

36 G. The director of the department of administration or the director's
37 designee shall consider the fiscal needs of the state and any hardship to the
38 applicant. When considering any hardship to the applicant for any actual
39 documented losses, to the extent possible, the goal of the director or the
40 director's designee shall be to make the applicant whole.

41 H. Allowed claims shall be paid in their entirety within sixty days
42 of final approval of the claim.

1 Sec. 32. Reimbursable monetary losses

2 A. Only the following actual monetary losses directly related to the
3 purchase or lease of a vehicle or to the conversion of a vehicle to operate
4 on alternative fuel shall be reimbursed by the state:

5 1. Any forfeited down payment or deposit paid by the claimant to a
6 motor vehicle dealer or a conversion company, or both.

7 2. The fair market value of a vehicle traded to a motor vehicle dealer
8 in lieu of a down payment or deposit.

9 3. Any financial penalty imposed by a motor vehicle dealer, conversion
10 company or lender because of cancellation of a contract, if the original
11 terms of the contract signed on the date of the purchase or order require
12 that such a penalty be paid.

13 B. The following actual monetary losses directly related to the
14 purchase, installation or construction of a vehicle refueling apparatus or
15 an alternative fuel delivery system shall be reimbursed:

16 1. Any forfeited down payment or deposit paid for equipment or
17 installation, or both, of the vehicle refueling apparatus or alternative fuel
18 delivery system.

19 2. The cost of a vehicle refueling apparatus or alternative fuel
20 delivery system equipment if purchased but not installed, if the apparatus
21 or equipment is transferred to this state.

22 3. Any financial penalty imposed by an installer of a vehicle
23 refueling apparatus or alternative fuel delivery system because of
24 cancellation of contract, if the original terms of the contract signed on the
25 date of the installation agreement require that such a penalty be paid.

26 C. Except as provided in subsection D of this section, in no event
27 shall the reimbursement paid under this section exceed, as applicable, the
28 amount of the credit that would have been allowed under section 43-1086,
29 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 or 43-1174.02, Arizona Revised
30 Statutes, as amended by this act.

31 D. The amount of reimbursement may exceed the limit prescribed in
32 subsection C of this section only if the director of the department of
33 administration or the director's designee determines that both of the
34 following apply:

35 1. On or before December 1, 2000, the claimant actually paid amounts
36 directly related to the purchase, lease or conversion of a vehicle greater
37 than the limit prescribed in subsection C of this section.

38 2. The claimant acted in good faith to minimize the actual monetary
39 losses directly related to the purchase, lease or conversion of the vehicle.

40 Sec. 33. Opt out option

41 If a taxpayer qualifies for a tax credit pursuant to section 43-1086
42 or 43-1174, Arizona Revised Statutes, as amended by this act, but the
43 taxpayer does not want to comply with the possession, registration and use
44 requirements prescribed in section 43-1086, subsection E, Arizona Revised
45 Statutes, as amended by this act, or section 43-1174, subsection E, Arizona

Revised Statutes, as amended by this act, the taxpayer may elect to receive a payment equal only to the cost of conversion if the vehicle is converted or the incremental cost as defined in section 43-1086, Arizona Revised Statutes, as amended by this act, if the vehicle is an original equipment manufactured alternative fuel vehicle. This payment is in lieu of a grant pursuant to section 41-1516, Arizona Revised Statutes, or a tax credit pursuant to section 43-1086 or 43-1174, Arizona Revised Statutes. If a taxpayer elects to receive a payment pursuant to this section, the taxpayer shall apply for payment to the department of administration as provided in section 31 of this act and irrevocably waives any right to a grant pursuant to section 41-1516, Arizona Revised Statutes, or a tax credit pursuant to section 43-1086 or 43-1174, Arizona Revised Statutes, and waives the right to claim or collect any additional monies from this state and releases this state in full of all claims and rights resulting from this act and Laws 2000, chapter 405. Claims pursuant to this section shall be paid from monies in the consumer loss recovery fund established by section 41-622.02, Arizona Revised Statutes, as added by this act.

Sec. 34. Contracts

This act does not require the cancellation of any contract by any party.

Sec. 35. Joint legislative committee to study alternative fuel programs

A. A joint legislative committee is established to study statutory alternative fuel vehicle programs. The committee consists of:

1. Six members of the senate who are appointed by the president of the senate. The president of the senate shall designate one of these members as cochairperson of the committee.

2. Six members of the house of representatives who are appointed by the speaker of the house of representatives. The speaker of the house of representatives shall designate one of these members as cochairperson of the committee.

B. The committee shall:

1. Review the provisions and enactment process of Laws 2000, chapter 405 to determine whether any of the provisions might be revised to provide effective reduction in air pollution at an acceptable cost to this state.

2. Consider limitations, conditions and guidelines to prevent abuse, reduce cost to this state and produce satisfactory results.

3. Make recommendations for program objectives by:

(a) Identifying achievable goals.

(b) Reviewing federal requirements and the possible economic impact of removing the alternative fuel vehicle incentives.

(c) Reviewing other state and federal clean air programs.

4. Make recommendations for fiscally sound alternative fuel vehicle incentives, including vehicle incentives, refueling incentives, fuel use incentives and research and development incentives.

1 5. Make recommendations for program compliance and controls, including
2 testing criteria for alternative fuel vehicles, fuel usage requirements and
3 measurement standards.

4 6. Make recommendations for recapture provisions and testing criteria
5 for vehicles in the program, including emissions testing procedures,
6 recapture provisions if emissions standards are not met and elimination of
7 third party testing for alternative fuel vehicles.

8 7. Make training, safety, bonding and warranty recommendations.

9 8. Study issues relating to infrastructure for public alternative fuel
10 delivery systems.

11 9. Submit a final report of findings and recommendations to the
12 speaker of the house of representatives and the president of the senate on
13 or before March 31, 2001. The study committee shall provide a copy of its
14 final report to the secretary of state and the director of the Arizona state
15 library, archives and public records.

16 Sec. 36. Delayed repeal

17 Section 35 of this act, relating to the joint legislative committee to
18 study alternative fuel programs, is repealed on July 1, 2001.

19 Sec. 37. Report on cost of alternative fuel income tax credits;
20 transfer from budget stabilization fund

21 A. On or before February 15, 2001 and on the fifteenth day of each
22 month thereafter, the director of the department of revenue shall report to
23 the governor, the state treasurer, the president of the senate, the speaker
24 of the house of representatives, the governor's office of strategic planning
25 and budgeting and the joint legislative budget committee the following
26 amounts:

27 1. The aggregate dollar amount of alternative fuel related credits
28 claimed under sections 43-1086, 43-1086.01, 43-1086.02, 43-1174, 43-1174.01
29 and 43-1174.02, Arizona Revised Statutes, on income tax returns during the
30 preceding calendar month.

31 2. The dollar amount of verified credits claimed in the preceding
32 calendar month not used to offset income taxes under title 43, Arizona
33 Revised Statutes.

34 3. The cumulative dollar amount of the credits claimed in all taxable
35 years beginning from and after December 31, 2000.

36 4. The estimated amounts remaining to be claimed as credits in each
37 fiscal year.

38 B. On the fifteenth day of each month the director of the department
39 of administration shall report to the governor, the state treasurer, the
40 president of the senate, the speaker of the house of representatives, the
41 governor's office of strategic planning and budgeting and the joint
42 legislative budget committee the following amounts:

43 1. The aggregate dollar amount of claims submitted for payment from
44 the consumer loss recovery fund established by section 41-622.02, Arizona
45 Revised Statutes, during the preceding calendar month.

1 2. The aggregate dollar amount of currently validated claims for
2 payment from the fund.

3 3. The cumulative dollar amount of all claims paid from the fund.

4 C. Notwithstanding sections 35-144 and 42-1117, Arizona Revised
5 Statutes, on the last day of each month the state treasurer shall transfer
6 from the budget stabilization fund established by section 35-144, Arizona
7 Revised Statutes, to the tax refund account of the state general fund,
8 established by section 42-1117, Arizona Revised Statutes, the amount reported
9 by the director of the department of revenue pursuant to subsection A,
10 paragraph 2 of this section. The state treasurer shall transfer these monies
11 only after deposits are made to the Arizona state hospital capital
12 construction fund pursuant to Laws 2000, chapter 1, section 4.

13 D. On the last day of each month the state treasurer shall transfer
14 from the budget stabilization fund established by section 35-144, Arizona
15 Revised Statutes, to the consumer loss recovery fund established by section
16 41-622.02, Arizona Revised Statutes, the amount reported by the director of
17 the department of administration pursuant to subsection B, paragraph 2 of
18 this section.

19 E. The aggregate dollar amount transferred from the budget
20 stabilization fund under this section shall not exceed two hundred million
21 dollars.

22 Sec. 38. Appropriations; special department of revenue audit
23 team; department of administration; attorney
24 general; department of environmental quality

25 A. In addition to any other monies, the sum of \$494,800 is
26 appropriated from the state general fund in fiscal year 2000-2001 to the
27 department of revenue for 11.0 FTE positions for the administration of all
28 income tax returns that claim an alternative fuel tax credit in each year the
29 credits are authorized by law. Any review of a tax credit pursuant to this
30 section shall only be for compliance with alternative fuel tax credit
31 requirements.

32 B. The department shall provide an annual report to the president of
33 the senate and speaker of the house of representatives on any amount of
34 recovered tax revenues due to disallowed or reduced credit amounts and any
35 identified provisions of the alternative fuel incentive law that are subject
36 to misinterpretation or abuse.

37 C. The sum of \$962,163 is appropriated from the state general fund in
38 fiscal year 2000-2001 to the department of administration to administer the
39 alternative fuel cost reimbursement program through the consumer loss
40 recovery fund established by section 41-622.02, Arizona Revised Statutes, as
41 added by this act.

42 D. The sum of \$397,400 is appropriated from the state general fund in
43 fiscal year 2000-2001 to the office of the attorney general to provide legal
44 and investigative services to the department of administration to administer

1 the alternative fuel cost reimbursement program and to the department of
2 revenue to administer the requirements of this act.

3 E. The sum of \$100,000 is appropriated from the clean air fund
4 established pursuant to section 41-1516, Arizona Revised Statutes, in fiscal
5 year 2000-2001 to the department of environmental quality for the costs
6 associated with compiling and maintaining the data on the results of
7 emissions inspections for alternative fueled vehicles required pursuant to
8 section 49-542.05, Arizona Revised Statutes, as added by this act.

9 Sec. 39. Reports of intention to take tax credit or apply for
10 opt out payment

11 A. The department of revenue shall prepare and make available a form
12 for taxpayers who intend to take a tax credit pursuant to section 43-1086,
13 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 or 43-1174.02, Arizona Revised
14 Statutes, as amended by this act, or apply for payment pursuant to section
15 33 of this act.

16 B. In order to qualify for a tax credit pursuant to section 43-1086,
17 43-1086.01, 43-1086.02, 43-1174, 43-1174.01 or 43-1174.02, Arizona Revised
18 Statutes, as amended by this act, or for a payment pursuant to section 33 of
19 this act on or before December 31, 2000, a person shall file the form with
20 the department of revenue.

21 C. On or before February 1, 2001, the department of revenue shall
22 submit a report to the speaker of the house of representatives, the president
23 of the senate and the governor that summarizes the results of the forms
24 submitted pursuant to this section.

25 Sec. 40. Severability

26 If a provision of this act or its application to any person or
27 circumstance is held invalid, the invalidity does not affect other provisions
28 or applications of the act that can be given effect without the invalid
29 provision or application, and to this end the provisions of this act are
30 severable.

31 Sec. 41. Requirements for enactment; two-thirds vote

32 Pursuant to article IX, section 22, Constitution of Arizona, this act
33 is effective only on the affirmative vote of at least two-thirds of the
34 members of each house of the legislature and is effective immediately on the
35 signature of the governor or, if the governor vetoes this act, on the
36 subsequent affirmative vote of at least three-fourths of the members of each
37 house of the legislature.

APPROVED BY THE GOVERNOR DECEMBER 14, 2000.

FILED IN THE OFFICE OF THE SECRETARY OF STATE DECEMBER 14, 2000.